Austria	Sch34	Indonesia	Rp2100	Pakistan	Rs35
Bahrain	Din0.700	Iran	[illegible]	Philippines	[illegible]
Belgium	BFr55	Israel	[illegible]	Poland	[illegible]
Cyprus	C£0.90	Italy	L2200	Portugal	[illegible]
Denmark	DKr12.00	Jordan	JD1	Qatar	[illegible]
Egypt	E£3.25	Kuwait	[illegible]	S.Arabia	[illegible]
Finland	FM8.00	Lebanon	[illegible]	Singapore	[illegible]
France	FFr7.00	Lux	LFr55	Spain	[illegible]
Germany	DM2.80	Malaysia	[illegible]	Sweden	[illegible]
Greece	Dr180	Morocco	[illegible]	Switz	[illegible]
Hong Kong	HK$12	Neth	Fl 3.25	Thailand	Bht60
Hungary	Ft107	Nigeria	Naira10	Tunisia	Din0.800
Iceland	IKr150	Norway	NKr12.00	Turkey	L2000
India	Rs15	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,242

Tuesday September 4 1990

D 8523A

ITALY

Communists open old party wounds

Page 8

World News

Yeltsin defies Moscow with economic reforms

Russian Prime Minister Ivan Silayev presented a radical *economic reform programme* to the Russian Parliament *aimed at speeding the pace* of economic reform. Both he *and the republic's president* Boris Yeltsin said the reforms *would help ditch Soviet "dictatorship"*. Page 20

Tokyo sets condition

Japan's Premier Toshiki Kaifu, said on the eve of a visit by *Soviet Foreign Minister* Eduard Shevardnadze that Moscow must hand back four occupied islands before it can hope for friendship. Page 4

Hostages ill-treated

A Belgian family of four held hostage by a radical Palestinian group in Beirut since 1987 are in pitiful health, a group pressing for their release said in Brussels. They are being forced to work hard with minimal access to food or hygiene, it added.

Waiting Jews die

More than 100 destitute Ethiopian Jews waiting in Addis Ababa for passage to Israel have died of hunger and malaria in the past month, *Ethiopian immigrants said on* arrival in Jerusalem.

Leipzig soccer riot

East German police fired shots at the legs of neo-Nazi East and West German soccer fans in Leipzig to quell a riot. Two people were wounded.

Ben Bella to return

Algeria's first president, Ahmed Ben Bella, now 73, will return home on September 27 after nine years of exile, a close aide said. Page 4

In from the cold

Romanian President Ion Iliescu, ostracised by western leaders, arrived in neighbouring Yugoslavia on his first official foreign visit since he was confirmed in office in May.

Chad goes to court

Chad and Libya will refer their long-standing border dispute over a slice of the Sahara desert *to the International* Court of Justice in The Hague, Chad announced.

Low expectations

South Korea proclaimed the start of new *relations with the* North but said progress from *talks this week would be made* "at a turtle's pace." Symbolism the key, Page 4

Hong Kong shooting

Robbers fleeing with a haul of Rolex watches and gold ornaments exchanged fire with police in Hong Kong's busy Central district, the second such incident in a week.

Township toll rises

Security forces were reinforced in black South African townships after new faction fighting with spears, axes and knives left at least 25 people dead.

Pakistan kidnapping

Gunmen in Pakistan kidnapped four people, including two leading businessmen, amid signs of growing lawlessness in the home province of ousted Prime Minister Benazir Bhutto.

Yugoslav drought

A prolonged drought has caused about $1bn worth of damage to crops in Yugoslavia. The breadbasket province of Vojvodina is hardest hit.

Last of the Mohawks

Canadian soldiers quietly took control of the last outpost of dissident Mohawk Indians, ending a 53-day land dispute. Page 4

Red embers

Bulgarians are enjoying free guided tours round *the ruins* of the former Communist Party's headquarters, wrecked by arsonists last month. Charred telephones and singed propaganda leaflets are on sale.

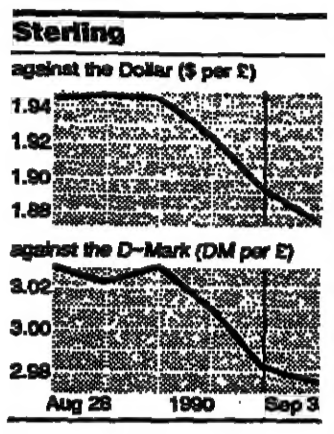
Business Summary

Thorn lighting division sale to GTE falls through

Thorn EMI of the UK said the proposed sale of its lighting *division to GTE of the US had* fallen through. The UK music, *rentals and technology group* will now hold on to the business. *Page 21; Lex, Page 20*

MARKETS: Sterling remained weak but finished towards the top of its range against the dollar and D-Mark. September has been forecast as possible month for joining the European *Monetary System* exchange rate mechanism and lack of announcement over the weekend contributed to slide. Japan: Nikkei opened

Sterling



day *buoyed by a stronger yen* and higher bond prices but *closed 557.94 down at 25,420.23.* Frankfurt: DAX index was lifeless, *moving 0.29 lower to close* at 1,629.22. Wall Street and the Canadian *markets were closed* for public holidays. Back Page, Section II; Lex, Page 20

POLLY Peck International, UK-based food and consumer electronics group, announced first-half results that exceeded market forecasts. Page 21; Lex, Page 20

RONALD Li was accused of *abusing his position as* chairman of the Hong Kong Stock Exchange at the opening of his trial in Hong Kong's High Court. Page 20

VOLVO financial director Lennart Jeansson was appointed head of Swedish motor group's car division after unexpected resignation of Roger Holtback. Page 21

CONTINENTAL, West German tyre and rubber products group, announced a 29 per cent plunge in first half pre-tax profits. Page 21

CZECHOSLOVAKIA'S plans for privatisation have been unveiled *following criticisms* that the presidency was dragging *its feet over economic* reforms. Page 8

AEROSPACE: orders for aircraft worth more than $13bn were announced at UK's Farnborough Air Show by Boeing, McDonnell Douglas and Airbus, the world's three largest airframe manufacturers. Page 9; Lex, Page 20

EAST German industrial production fell by *42 per cent* in July against same month last year. Page 8

URUGUAY Round: Arthur Dunkel, director-general of General Agreement on Tariffs and Trade (Gatt), urged governments to take long-term view as well as seeking short-term gains. Page 7

BAKAB, energy subsidiary of Swedish forestry company SCA, sold half its hydroelectric assets and part of its district heating network to the Government-affiliated National Pension Funds for SKr5.8bn ($1bn). Page 22

INDIA, world's biggest tea producer, has harvested 345m kg in first seven *months* of 1990 – on target to beat the 1988 record. Page 31

SUMITOMO Finance International, London arm of Japan's *triple-A-rated* Sumitomo Bank, is setting up options group to focus on the *dollar*, D-Mark and yen markets. Page 27

Soviet Union lines up with west against Iraq in Gulf

By **Lionel Barber** in Washington and **Andrew Gowers** in London

THE SOVIET Union yesterday voiced strong support for the US military presence in Saudi Arabia and made clear it was not distancing itself from the international front ranged against Iraq.

With diplomatic efforts to resolve the Gulf crisis at a standstill, Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, told a news conference: "The Americans are there at the invitation of Saudi Arabia . . . The Americans appeared there [in the Gulf] not on their own initiative, but they were provoked into it by Iraqi actions."

He dismissed suggestions, made last week by a Soviet military commander and on Sunday by a commentator in Pravda, the Communist Party daily, that an outbreak of hostilities in the Gulf might damage East-West relations. He also denied that the Soviet Union would try to mediate while Iraqi forces remained in Kuwait.

Mr Gerasimov spoke as western leaders reiterated warnings of the need for patience in using a mixture of economic sanctions and military pressure to force Iraq to withdraw its troops from Kuwait.

Mr Douglas Hurd, British Foreign Secretary, on a tour of Gulf states, said: "We have to settle down for a long haul, which will require a good deal of steady determination on the part of all concerned."

A stand-off also continued on the fate of western hostages in Iraq and occupied Kuwait, with the Iraqis insisting that any foreigners it allows out must leave either by road or by Iraqi Airways – which is being denied landing rights in western capitals.

Hopes of a western airlift for women and children hostages detained in Iraq have faded and the Baghdad regime appears intent on keeping male hostages at civilian and military installations around the country to deter any attack.

Some 700 western and Japanese women and children have flown out of Baghdad since President Saddam Hussein announced a week ago that he was no longer holding them as hostages in the Gulf crisis. About 10,000 westerners and Japanese are still in Iraq and Kuwait.

However, the British community in Kuwait, supported by British diplomats, was yesterday organising a convoy of buses to take 500 British women and children to Baghdad with a view to having them flown out of Iraq.

In London, the Foreign Office said the convoy would leave Kuwait this afternoon. It also said it was considering chartering Iraqi aircraft and buses to evacuate foreigners.

Mr Gerasimov's remarks appeared designed to set a positive tone for Sunday's summit in Helsinki between Presidents George Bush and Mikhail Gorbachev, and to dispel any Iraqi hopes that Moscow might be encouraged to break ranks with the US-led effort to isolate Baghdad.

Mr Bush returned to Washington yesterday to prepare for the summit. The two leaders are expected to exchange views on the prospects for pressuring Iraq to withdraw its forces from Kuwait, with Mr Bush hoping the Soviets will exert further pressure on Baghdad.

The US President is toying with the possibility of a stop in Brussels to brief western allies.

● Tunisian diplomat Chedli Klibi, 64, resigned last night as Secretary-General of the Arab League, an office he has held since 1979. The League made the announcement in Tunis but the reason was not immediately known.

Umbrellas protect King Hussein of Jordan (left) and West German President Richard von Weizsäcker (centre) during a welcoming ceremony for the King in Bonn yesterday

Army of refugees threatens to overwhelm Jordan authorities

*By **Hugh Carnegy** in Ruweished, near the Jordan-Iraq border*

SWELTERING in the desert in miserable makeshift camps, a *stranded army of refugees* from Kuwait is alarmingly *short of essential supplies.*

About 60,000 are crammed *into two camps just inside* Jordan close to the border with *Iraq. The impression yesterday* was of a refugee flood that has *almost* overwhelmed the Jordanian authorities. International *relief* agencies were barely visible.

The chief of a French aid agency has called for an international effort to avert disaster for refugees.

"These are people who are hostages of the desert," Mr Xavier Emmanuelli, president of Médécins Sans Frontières *told a news conference in Jordan.*

"If the international community does not turn its attention *to them it will create a catastrophe* because still more are *coming,"* he said.

A European Community official *at the press conference* said the EC had pledged $12m in refugee *aid to Jordan.* The US says it is contributing aid worth $1m.

"Please tell everyone we need help," appealed Dr Khaled Abu Halimeh. He is struggling with just four other doctors from the International Red Cross and the Jordanian Red Crescent to cope with the mounting medical needs of some 36,000 people packed into Shallan, the larger of the two camps.

A visit to the camp – occupied *mainly by Indians,* Bangladeshis and Pakistanis – *illustrates the scale of the* problem.

Shallan lies about 186 miles from Amman across a bleak *stony landscape feared even by* Bedouin because their camels *cannot cross it.*

There are a few tents provided *by the Jordanians or* relief organisations but most refugees *have only* makeshift shelters of blankets, tablecloths *and headdresses against* the choking dust and unrelenting *sun. Some do not even* have that, or sufficient blankets *to fend off the nightime* cold.

Sanitation is *virtually* non-existent. The closely-packed *shelters are surrounded by* rubbish. Water is trucked in to *plastic tanks dug into the* ground, but supplies are so *limited people queue for up to* seven hours to fill buckets.

Food is distributed in haphazardly by the Jordanians, *leading to scuffles, according* to refugees. The lucky ones get *some flat bread, tomatoes and* yoghurt once a day.

Heat *stroke, stomach infections* and dehydration are the main medical complaints - along with scorpion bites. "They are difficult to treat in the best of conditions - everything is difficult to treat in these conditions," said Dr Khaled. "Really, I think it is a disaster. If we stay here in these conditions for very much time, we will have very many deaths here."

He spoke shortly after the first reported death in the 10-day-old camp, that of a Sri Lankan man striken by dysentry *and vomiting. That* morning an Egyptian woman had given birth in the camp's single medical tent as refugees *queued outside for hours in* the sun for treatment.

Most of the refugees are young men. Luckily there are not many children. Many are professionals who worked for years in Kuwait.

Until the Iraqi invasion last month, Mr Saifee Surti from India was a foreign exchange dealer at the Kuwait International Investment Company. "I was a forex dealer and look at my condition now," he said, his hair and clothes yellow with dust. "I have brought nothing. I have lost everything, everything."

Like almost everyone, his chief concern is the lack of official help to get home. Anger at the absence of consular officials from their countries has at times almost boiled over. An Indian diplomat was said to have been attacked on Saturday.

Refugees complain of being cheated by Iraqi transport *companies. One group of 42* Indians said they had paid *Iraqi dinars 3,300 ($10,000)* together on the understanding they would be taken to Amman. Instead they were dumped at the border and the driver made off with their food and many of their belongings.

Pöhl warns of danger in rapid moves to EMU

By **Katharine Campbell** in Frankfurt

MR Karl Otto Pöhl, president of the West German Bundesbank, yesterday forcefully warned of the dangers of rapid progress towards European monetary union (EMU).

The central bank chief drew on the painful experience of the East German economy struggling to adapt since the introduction of the D-Mark to stress the need for a more cautious approach to wider European integration.

Mr Pöhl, speaking in Munich, has been sounding increasingly sceptical about the speed at which the process of EMU should be moved along.

"One may wonder whether institutional changes extending as far as the creation of a European currency and a European central bank are really quite as indispensable as they are made out to be in some quarters," he said.

This led him to express "some sympathy" with the British concept of competition between currencies – or, he suggested, more appropriately "competition of policies" – at least for the time being.

Mr Pöhl added that Mr John Major, the UK Chancellor of the Exchequer – who earlier this year advanced an alternative vision of Europe's monetary future with the so-called hard Ecu – was "quite right to point out that a joint monetary policy can be very much more expensive than the conceivable saving in transaction costs" of a single currency if the system itself is inferior.

The Bundesbank views a single currency as an unknown quantity, is proud of its record in defending the stability of the D-Mark, and regards with suspicion any attempt at substituting its strong domestic currency. "We would be sacrificing a hard currency on the European altar without knowing what we would be getting in return," Mr Pöhl said.

He went on to argue that as long as member countries' monetary policies, and hence inflation rates, diverged as much as at present, exchange rates constituted an invaluable adjustment mechanism. In their absence, other facets of the economy would have to give, notably employment.

"Ever increasing public transfer payments would become inescapable. The German monetary union provides a spectacular lesson in this respect," Mr Pöhl said, in a clear reference to the rapidly escalating budgetary burdens for Bonn of resuscitating the East German economy.

The central bank had proposed a more leisurely timetable for intra-German monetary union which was abruptly overridden by Bonn earlier this year.

GE and Snecma to make military engine

By **Paul Betts** and **David White** in Farnborough, England

GENERAL ELECTRIC *of the* US is extending its partnership with Snecma, the French state-owned aero-engine maker, into the military field.

The US company said at *Farnborough air show* yesterday that its third big military *engine project would be* discussed with Snecma, its long-*established partner in Europe.*

The venture will consolidate *the relationship between GE* and Snecma in the civil avia*tion market. Snecma has taken* a 25 per cent risk-sharing stake in the programme.

The project under discussion *would* involve a medium-power engine with thrust of 14,000-18,000lb *for military applications*, in the first instance for military transport aircraft.

Meanwhile, Pratt and Whitney, GE's main rival in the US, has forged a strategic alliance with Motoren- und Turbinen-Union (MTU), the West German aero-engine group controlled by Daimler-Benz, designed to counter the GE-Snecma relationship.

The two companies are studying the development of a *18,000-20,000lb thrust engine* programme which would see *the German group as the lead* partner, according to Mr Jürgen Schrempp, chairman *of* Deutsche Aerospace, another *Daimler-Benz subsidiary.*

MTU has also become a partner *in* Pratt and Whitney's programme to develop a derivative of its *PW4000* engine.

Deutsche Aerospace seeks *European links, Page 20; New* aircraft orders, Page 9

ON OTHER PAGES

CONTENTS

East Germany races to match the best in the west

Mr Lothar de Maizière, East German Prime Minister, presides over a country that within a decade could have one of the world's most modern infrastructures. At present, it has one of the worst

Page 18

MARKETS

STERLING
London:
$1.873 (1.8925)
DM2.9675 (2.9825)
FFr9.945 (9.9975)
SFr2.465 (2.475)
Y268.75 (272.25)
£ index 94.3 (95.0)

GOLD
London:
$387.0 (385.25)

N SEA OIL (Argus)
Brent 15-day Oct
$29.1 (26.6)

Chief price changes yesterday: Page 21

DOLLAR
The New York markets were closed yesterday for the US Labor Day holiday

London:
DM1.5845 (1.5755)
FFr5.31 (5.2825)
SFr1.316 (1.308)
Y143.5 (143.85)
$ index 63.7 (63.6)
Tokyo close: Y143.55

STOCK INDICES
FT-SE 100:
2,166.6 (+3.8)
FT Ordinary:
1,687.4 (−6.2)
FT-A All-Share:
1,052.48 (+0.1%)
Tokyo: Nikkei
25,420.43 (−557.94)

LONDON MONEY
3-month interbank:
closing 14 13/16% (14 11/16)
Liffe long gilt future:
82 25/32 (82 14/32)

CRISIS IN THE GULF

Restraint heads Helsinki agenda

Bush and Gorbachev must strike bargain, Anatole Kaletsky writes

WHEN Presidents Mikhail Gorbachev and George Bush meet in Helsinki next weekend, their main objective will be clear: to demonstrate to the world that they stand united in their broad strategy towards Iraq. To achieve this there will have to be rhetorical restraint on both sides.

Moscow cannot give full endorsement to the US military presence in the Gulf as long as some officials in Washington give the impression they are itching for full-scale warfare. The Kremlin does not believe this impatience reflects the true US position, but Mr Gorbachev will doubtless ask for threats to be toned down.

The US is equally concerned that East-West unity is being undercut by public statements, leaks and media comments apparently inspired by dissidents in the Soviet military and diplomatic establishment. This may be harder for Mr Gorbachev to control.

The hostile tone of many Soviet comments on US Gulf policy probably reflects a split in the middle ranks of the establishment, rather than a genuine ambivalence at the top. President Gorbachev and Mr Eduard Shevardnadze, his unswervingly loyal Foreign Minister, have taken every opportunity to express support for the Bush administration's goals.

At first it appeared as if the ambiguity of Soviet rhetoric might have had two specific and even constructive purposes. First, there were genuine hopes at the top of the Soviet government that it might be able to influence Mr Saddam Hussein, traditionally its client, to see reason. Secondly, Moscow was initially reluctant to back the use of force in support of UN sanctions because they were trying to achieve a long-standing foreign policy goal.

Ever since the beginning of perestroika President Gorbachev has had the ambition of elevating the status of the UN as an arbitrator in international conflicts and ultimately as a world policeman. The US, by contrast, has traditionally been opposed to broadening the UN's peacekeeping role.

The Soviet rhetoric on the Gulf became more puzzling after the US conceded Mr Gorbachev's immediate objective – a role, albeit a minor and symbolic one for the UN Military Staff Committee. For a while the alarmist articles and speeches about the likelihood of a full-scale war in the Gulf disappeared from the Soviet debate. But then, in the last week or so, there was an unexpected revival.

The culmination was the speech last Friday by General Vladimir Lobov, the commander-in-chief of the Warsaw Pact, warning that US activities in the Gulf could damage East-West talks on disarmament.

Why has the anti-American rhetoric proved so persistent? For the last 45 years, the entire training of Soviet diplomats and military men has been built around one principle – that armed might of the US is the biggest threat to their country.

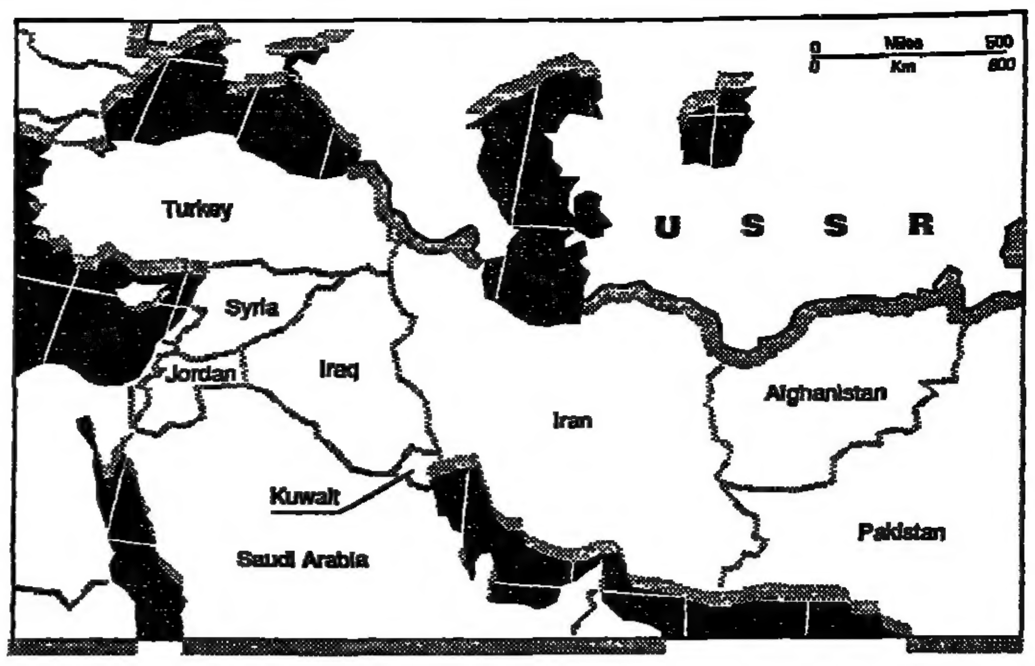
Then there is the role of Arab nationalism in traditional Soviet geopolitics. For Soviet diplomats and military men to overcome their traditional pro-Arab bias is almost as hard as it would be for the US establishment to turn against Israel.

To take a more realistic example, consider Washington's difficulties in backing away from President Ferdinand Marcos in the Philippines or even in publicly endorsing the British expeditionary force against Argentina. This gives an idea of the psychological problem the Soviet Union has faced in the past month.

Finally, there is the importance of arms exports and international military contacts for the Soviet defence establishment. The links between the military industries and the defence forces themselves are far closer in the Soviet Union than in the West. Abandoning Iraq means losing the Soviet Union's biggest military customer outside Eastern Europe, as well as undermining the Soviet Union's reputation as a reliable supplier of arms and military advisers.

As the Warsaw Pact collapses and conventional disarmament talks start to achieve results, Soviet generals have looked with envy at the unexpected boost their US counterparts have received as a result of the crisis. They have found it hard to resist the chance of stirring up nationalist paranoia about encirclement by the Americans.

To make the Helsinki summit a success, President Gorbachev will have to silence them. He may find it difficult, but not impossible. Gulf diplomacy is only the latest in a long list of Gorbachev policies which have faced bureaucratic opposition since the beginning of perestroika. His record suggests he will overcome it.



Britons in Kuwait set for drive to Baghdad

By Alison Smith and John Mason in London and Ralph Atkins in Jeddah

A ROAD convoy to take 500 British women and children from Kuwait to Baghdad in the hope of enabling them to return to the UK more quickly was expected to leave early this morning from Kuwait City.

The buses were being organised in Kuwait by the British community, although the Foreign Office last night said the British embassy in Kuwait had also been involved. It said the idea behind the convoy was that it would be easier to be flown out from Baghdad than from Kuwait.

Mr Douglas Hurd, the Foreign Secretary, was said last night to be pleased that the convoy was being arranged. However, the Foreign Office said the government would not be satisfied until everyone who wanted to leave, including men, was able to do so.

While acknowledging the risk that passengers in the convoy could themselves be taken hostage, Whitehall believes that there is no real prospect of the 600-1,000 women and children in Kuwait being given exit visas while they remain.

The situation in Baghdad itself, however, was described by the Foreign Office as extremely confused, with Britain still awaiting final confirmation of the Iraqi ban on western aircraft.

The information was still however, that women and children would be allowed to leave, a spokesman said.

Though dozens of roadblocks can be expected to delay a convoy's journey, the alternative prospect of a flight between Kuwait City and Baghdad carries its own complications, and seems to have been virtually ruled out already.

The confusion about Baghdad's policy on releasing detainees has contributed to mounting concern for the western hostages held in Kuwait and Iraq among their families and friends.

While the release of some 700 western and Japanese detainees on Sunday was obviously welcomed, it meant further disappointment for the relatives of those still detained.

The reports that Iraq will not allow any more western aircraft to pick up more women and children until restrictions on Iraqi Airways flights are lifted have lowered hopes of more early releases, according to Ms Joanna Copley, a co-ordinator with the British hostage families' support group.

Ms Copley remains critical of Mrs Thatcher's tough line that the holding of hostages should not prevent the taking of whatever action against Iraq is necessary. She insisted the support group was non-political and concerned only with the humanitarian aspects of the detainees' plight.

Meanwhile, reports reaching Baghdad about the state of Kuwait City suggest that the streets are nearly deserted. The garrison in the city is said to be light, and only a few foot patrols are among the small amount of traffic coping with the numerous roadblocks.

Shanty towns of Filipinos, Sri Lankans and Indians are appearing outside their respective embassies, but the lack of resources means that the embassy staff are unable to offer effective help with food, health and accommodation problems.

Refugees in Jordan who had recently left Kuwait said moving about Kuwait City was difficult because of the large number of Iraqi army checkpoints. "They have looted everything," one refugee said, although he added that most Iraqi soldiers did not maltreat people. He said Kuwaiti resistance was still evident in the city, but mainly confined to areas where indigenous Kuwaitis were concentrated. Some of these areas were virtual no-go areas for the Iraqis, he said. "They don't dare enter. People run them down [with their cars] if they go in," he said.

A chance to use what remains of Soviet influence in Baghdad

By Lionel Barber in Washington

WHEN President George Bush meets President Mikhail Gorbachev in Helsinki on Sunday, he is expected to press the Soviet leader to use his influence to urge Iraq to withdraw from Kuwait.

Yet doubts remain in Washington about the degree of influence which the Soviets can exert over President Saddam Hussein, despite Moscow's long-standing military ties with Iraq.

Ten days ago, Mr Saddam brushed aside a sternly worded warning from Mr Gorbachev about the consequences of defying the United Nations resolution ordering him to pull out of Kuwait. The Soviets subsequently backed a UN resolution supporting the use of force to enforce the economic embargo.

The snap summit in Helsinki continues this collective approach, with most observers in the US describing it as a way to demonstrate east-west unity as the US military build-up continues and UN sanctions take their toll on Baghdad.

But Mr Bush may be looking for a little more than a symbol-laden photo-opportunity. US officials note that Moscow, as the biggest weapons supplier to Iraq, has far better communications lines to Mr Saddam than Washington.

Defence agreements remain intact between the two former allies, offering further leverage over Baghdad.

In short, the Soviets are well placed to deliver Mr Bush's message to Mr Saddam: forget any hopes of playing off the superpowers, you have no option but to withdraw from Kuwait. Mr Bush may decide to ask Mr Gorbachev to reinforce the message by ordering the withdrawal of all military advisers from Iraq.

To date, the Soviets have admitted to having only 193 advisers there; but US intelligence agencies estimate the total to be between 1,000 and 2,000. Some are believed to be working at a tank factory; others may be involved in electronic jamming of US surveillance airplanes.

Mr Sam Nunn, Democratic chairman of the Senate armed services committee, said a withdrawal of Soviet advisers would send "a strong message to Saddam Hussein".

How far to push the Soviet leadership into leaning on Iraq is a dilemma for Mr Bush. Kremlin leaders have registered some of the doubts which the Soviet military and other middle-ranking officials have raised about the US military build-up.

The longer the Iraqis delay in withdrawing their forces from Kuwait, the higher the risks of a conflict.

Ministers to discuss EC aid for Mideast

By John Wyles in Rome and David Buchan in Brussels

FOREIGN ministers of the European Community are to meet in Rome on Friday to discuss Brussels Commission proposals to step up EC aid to Middle East countries hit by the embargo of Iraq and to increase trade links with Gulf countries south of Iraqi-occupied Kuwait.

Officials at the Italian foreign ministry, where Friday's meeting will take place, said it was unlikely that the EC ministers would directly consider President George Bush's request for his allies to pay part of the bill for US military intervention in the Gulf. However, they said stepped-up EC aid for the region should help answer US complaints that Washington's allies are not doing enough.

Mr Gianni De Michelis, Foreign Minister of Italy, which holds the EC presidency, has called the meeting at the suggestion of Mr Jacques Delors, the European Commission president, mainly to get approval for measures which the Commission is due to adopt tomorrow.

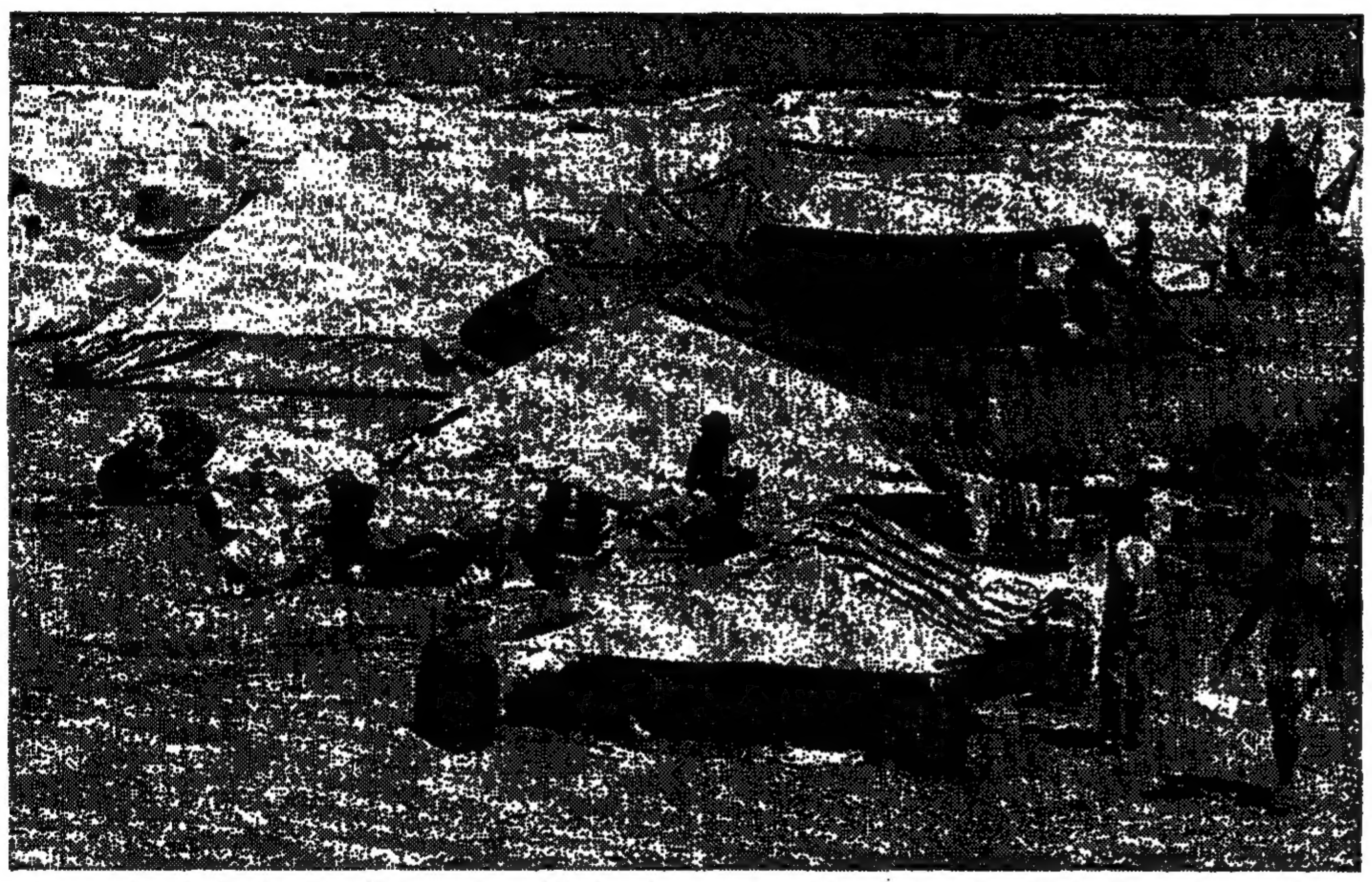
These are expected to include loans to Egypt, Jordan and Turkey, which have lost markets in, and gained refugees from, Iraq, as well as further humanitarian aid in addition to the Ecu5.6m (£3.9m) that the EC has already given and a start to talks about eliminating tariff barriers with members of the Gulf Co-operation Council (GCC).

The EC ministers are also likely to issue a call, in advance of next weekend's US-Soviet summit in Helsinki, for continued prudence in seeking a diplomatic, rather than a military, solution to the Gulf crisis, Italian officials said.

Commission officials said they were anxious to put on the table a proposal for "a solid Community contribution" before the western allies got too far into wrangling about how the burden of the Gulf crisis should be shared.

For the longer term, the Commission is seeking to use the crisis to get EC governments to unblock negotiations with GCC members on free trade. Many EC states have been wary about letting in petrochemicals tariff-free from the six GCC states – Saudi Arabia, Oman, Bahrain, the UAE, Qatar, as well as occupied Kuwait.

The Brussels Commission is also hoping the crisis will prompt EC states to put more money into its Mediterranean policy to provide development aid for countries like Egypt.



A camp in the 70km No Man's Land between Iraq and Jordan where more than 50,000 mostly Asian refugees wait to cross into Jordan

Refugees gather in their thousands on Iranian border

By Scheherazade Daneshkhu

THOUSANDS of refugees, fleeing from Iraq and Kuwait gathered along Iran's border with Turkey and Iraq yesterday. Tehran has been reported as saying it will allow up to 100,000 foreigners to cross through Iran to safety.

International relief co-ordination for Iran started yesterday with the despatch by the United Nations Disaster Relief Organisation of a team from Tehran to the border regions to assess the situation. Financial assistance can then be sent to help the Iranian government with its relief effort.

Thousands of foreigners, mostly from the Indian subcontinent have already crossed into Iran. They have used their own means to get to Tehran where they are being put up by their embassies.

The largest group is Pakistani but there are also Filipinos and Sri Lankans. Exact figures were unavailable yesterday. The Pakistani embassy in London said that some 150,000 of its nationals were in Kuwait and Iraq at the time of the Iraqi invasion. India estimates some 200,000 of its citizens in both countries, of which 10,000 have already left.

If all these nationals were to try to leave through Iran, a sizeable relief operation would be needed. Undro's headquarters in Geneva said the refugees from the Indian subcontinent had crossed into Turkey and were massing along the border with Iran at three main crosspoints: the villages of Bazargan, Serou and Makou. Undro is trying to organise transportation for them.

A further 50,000 Iranians living in Iraq and Kuwait have also fled home from those countries through the Iran/Iraq border at the town of Shalamcheh.

Mr Thorvald Stoltenberg, the UN High Commissioner for Refugees, returned to Geneva yesterday from a visit to Iran. Responsibility for dealing with those fleeing from Iraq and Kuwait does not fall directly under the mandate of UNHCR, which is instead concerned with those who are fleeing from persecution. Its relief operation in Tehran has therefore been directed at the 2.3m Afghan refugees who fled to Iran after the Soviet invasion in 1979 and up to 1m Iraqis, many of them Kurds.

In Geneva yesterday the UNHCR said that following the Stoltenberg mission, it would be despatching an evaluation mission to the southern border with Iraq to assess the situation after the new influx of fugitives, in response to a request from Undro and the Iranian government.

Iran has received $60m (£31m) from the UNHCR and Pakistan some $735m since 1979.

Western escapers are reported on the road, but none appears at the Turkish crossing

Waiting at the border for the refugees

By Jim Bodgener, Habur border gate, south-east Turkey

RUMOUR tangled with rumour yesterday as the western consular vigil continued at the Habur border gate with Iraq in Turkey's south-east. In the shifting sands of accounts by Asian refugees were scattered sightings of western escapers on the 300-mile road north from Baghdad, but none of them walked across the long bridge over the Hezil river on the frontier.

Yet as Baghdad insisted that only its own aircraft be used for the airlift of women and children, the possibility increased that some might chance the long drive north. In the past few days several hundred east Europeans and Chinese had waited only three hours to cross.

A large group of Canadian women and children failed to materialise on the bridge on Sunday night. A Canadian DC-8 aircraft was waiting at Ankara yesterday to fly them home, although other reports placed them in Baghdad hoping for seats in the airlift.

Another party of about 100 West German women and children crossed to Basra in Iraq from Kuwait yesterday, heading for Baghdad. If there was no flight out there, they might opt instead for Habur, said consular officials. In Ankara, the UK and US embassies were not expecting any of their nationals through the crossing.

On the Iraqi side of the border, a queue of about 7,000 refugee cars still stretched 10 miles back to the town of Zaho. Fears were mounting of potential epidemics because of the filth collecting in the blazing heat around the traffic jam, and the crush of people inside the Iraqi border compound.

Food and medicine had been rationed by the Iraqi authorities. A woman had died with her still-born baby, and a man was killed by a heart attack after being refused medicine by Iraqi officials, refugees said.

But in the afternoon, the dusty Turkish customs area was strangely empty, partly because the Pakistani repatriation shuttle through Iran was running smoothly – and partly because a Bangladeshi operation was not. A throng of several thousand Bangladeshis had clogged the flow over the bridge.

An estimated 25,000 Bangladeshis were pressing down on Habur, but a mere 981 had crossed so far, said one of their embassy officials in Ankara. This compares with about 15,000 Pakistanis.

The Turkish government, with some exceptions particularly for Europeans, has taken in refugees only with assured consular assistance, funds and transport to get them out. The impoverished Bangladeshi government was scraping funds together for an airlift of its nationals out of the southern Turkish city of Adana, with around 500 to 600 already stranded there, but with little success.

NEWS IN BRIEF

African countries lift petrol prices sharply

SOUTH Africa, Namibia, Ghana and Mozambique announced steep rises in the price of petrol and other fuels yesterday, reacting to the soaring cost of oil since Iraq's invasion of Kuwait a month ago, Reuter reports from Pretoria.

South African and Namibian motorists escaped with increases of about 9 per cent at the petrol pumps, but Ghana and Mozambique increased prices by up to 50 and 65 per cent respectively.

Pretoria's National Energy Council also announced that wholesale prices of diesel fuel would rise by about 7 to 9 per cent and of lighting paraffin by 16 to 18 per cent.

Saudis boost jet fuel output

Saudi Arabia has more than doubled its production of a special jet fuel to help supply US fighter aircraft in the kingdom, Reuter reports from Ras Tanura, Saudi Arabia.

Mr Adnan Sharidah, planning supervisor at the main Ras Tanura refinery, said yesterday its output of JP-4 was increased to 5,000 barrels per day in August from 2,000 in July.

Japan turns to private sector

The Japanese government yesterday asked the country's private industry to help support the multinational forces facing Iraq by providing jeeps, car-carrying ships and other products and services, AP reports from Tokyo.

Mr Kabun Muto, Minister for International Trade and Industry, sought co-operation in a meeting with leaders of the car, steel, electronics, construction, machinery and plastics industries, a ministry official said.

US praise for 'brave' Mubarak

Dozens of members of the US Congress yesterday met President Hosni Mubarak and praised Egypt's "brave and courageous" stand in sending troops to help protect Saudi Arabia from Iraq, AP reports from Alexandria.

The legislators indicated they would reward Cairo by pushing for increased financial aid and for cancellation of its $6.7bn (£3.4bn) military debt to the US.

Airlift planned for Bangladeshis

By Scheherazade Daneshkhu

THE UN Disaster Relief Organisation will announce today that it is organising an airlift of refugees from Jordan, starting with Bangladeshis, who apparently make up the largest number.

An UNDRO official in Geneva said the airlift, the first of its kind, organised jointly by the UN body and by the International Organisation of Migration, would be financed by Japan, which had already donated $8m. It will consist of 10 flights of 450 people each, and "in principle" will start this afternoon.

Officials said there was concern that existing efforts to assist the refugees were too slow. "People have been stranded there for over a week and the Jordanian Government is in a terrible situation," said one. More airlifts would be arranged when possible.

Jackson jets into the limelight

By Lionel Barber in Washington

THE Rev Jesse Jackson has never been camera-shy. But over the past 48 hours, even some of the black civil rights leader's most ardent supporters must have wondered at his willingness to hog the limelight in the Middle East hostage crisis.

Mr Jackson's weekend role in securing the release of 47 Americans held in Iraq has made him the ambulance chaser extraordinaire in the Gulf conflict.

There he was wiping tears from his eyes outside the US embassy in Kuwait; then he popped up at London's Heathrow airport, carrying Stuart Lockwood, the five-year-old hostage who received a pat on the head from President Saddam Hussein; finally, he arrived home at Dulles Airport on Sunday to give yet another news conference.

The pictures and the publicity are welcome for the 49-year-old two-time Democratic presidential candidate whose political career has hit a dead end in recent months, only to be revived by his new hybrid role as journalist, talk-show host, hostage mediator and self-styled television statesman.

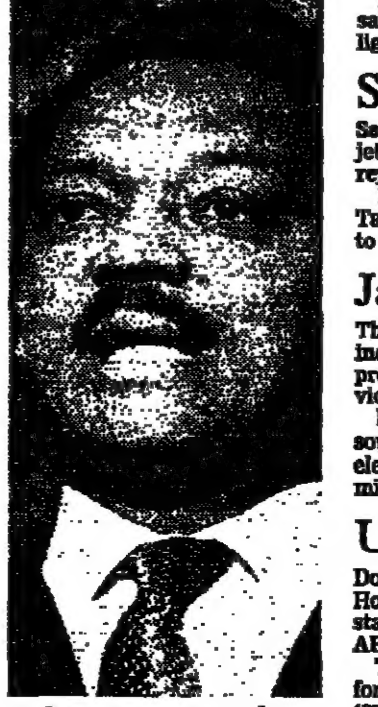
"I am fundamentally a communicator, and journalism is communication," said Mr Jackson, adding: "I do not believe in abstract journalism. It has to have a mission."

Last year, Mr Jackson left Chicago, where his political base was eroding fast. He moved to Washington DC, where many expected him to run for mayor in the drug-ridden capital city.

Critics who charge Mr Jackson has never held elective office would have been stymied if he had run for mayor; the race itself would have been a walk-over. But Mr Jackson made any number of excuses for not running, and eventually hinted he needed a bigger stage to give rein to his talents.

Mr Jackson's trip to Iraq was paid for for by Inside Edition, a syndicated television programme, but only after Time Warner, original sponsors of his autumn talk show, pulled out. The fear was that Mr Jackson risked playing into President Saddam's hands by elevating the hostages issue.

The US authorities certainly regard Mr Jackson's mission to the Gulf – and the threat of future missions – as unhelpful. The most telling criticism came in the form of presidential silence when the 47 Americans arrived at Dulles. Unlike former President Ronald Reagan, who feted Mr Jackson at the White House after he secured the release from Syria of a US pilot shot down over Lebanon, Mr Bush will not allow hostages to drive his Gulf policy.



Jackson: never camera-shy

The Financial Times (Europe) Ltd
Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiolettstrasse 54, 6000 Frankfurt-am-Main 1; Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1990.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: B. Hughes, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Sir Geoffrey Owen. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Oil prices rise despite plans to boost output

By Steven Butler

OIL prices rose sharply yesterday as hope for a peaceful end to the Gulf conflict receded.

North Sea Brent crude oil rose by $2.50 a barrel in spite of prospects for sharply higher oil production from some members of the Organisation of Petroleum Exporting Countries. The Brent crude oil October futures closed at $29.10 on the International Petroleum Exchange in London.

Saudi Arabia was reported to be lifting production above 7.5m barrels a day for the month, and was prepared to sustain production above 8m b/d for several months in the fourth quarter. Nigeria yesterday pledged to lift production by 250,000 b/d, and both Venezuela and the United Arab Emirates were planning sharply higher production.

The increases promise to compensate in terms of volume for nearly all the 4.3m b/d of Iraqi and Kuwaiti crude oil supply which has been cut off by the crisis.

There was continuing scepticism among analysts, however, that Saudi Arabia would in fact be able to sustain production at these levels. Most had previously assumed that Saudi Arabia would be unable to produce for an extended period at much above 7m b/d.

The crude oil that will come to market to replace Iraqi and Kuwaiti supplies also will be chemically heavier and will yield lower quantities of light refined products, such as petrol or jet fuel. As a result the price of a light marker crude, such as North Sea Brent oil, ought to rise in relation to the heavier crudes.

The Paris-based International Energy Agency said on Friday that oil markets would probably be well supplied with crude oil in September and October, although it warned supplies could tighten in winter. The IEA decided against any immediate steps aimed at restraining demand or releasing stocks from reserves held by member countries.

The apparent lack of progress toward a negotiated end to the crisis left open the prospect of either an extended cut in Iraqi and Kuwaiti supplies or a military clash that could severely damage Saudi oil production and export facilities. Saudi oil installations are within range of Iraqi missile and cannon fire.

Some analysts have predicted that oil prices could rise to $40 or $50 a barrel at the first sign of an outbreak of hostilities in the area. The IEA appeared to rule out the possibility of using stocks controlled by member governments to dampen a speculative rise in prices in the absence of a physical shortage of oil.

Palestinian radicals find a home in Iraq

By Lamis Andoni
in Amman

AMID signs of a widening gulf between Syria and Damascus-based Palestinian factions over the Gulf crisis, Baghdad appears poised to take an increasingly central role as a base for the Palestinian movement.

A Palestinian official in Amman said it was premature to conclude that radical Palestinian groups were moving to Baghdad. But he did not rule out Syrian retribution for their stance over the Gulf crisis – particularly following the meeting between President Saddam Hussein of Iraq and the leader of the Damascus-based Popular Front for the Liberation of Palestine (PFLP), Mr George Habash.

The meeting, the first in 15 years, marked a radical shift in the left-wing group's position. Mr Habash's visit to Baghdad followed a series of statements by at least six Damascus-based Palestinian groups against US intervention in the Gulf and in support of Iraq.

Until 1976, Baghdad, as leader of the Confrontation and Steadfastness Front against Israel, served as the base for most leftist Palestinian factions. But Iraq's ruthless crackdown on its domestic opponents resulted in irreconcilable differences between Baghdad and the Palestinian leftists.

The other main left-wing group, the Democratic Front for the Liberation of Palestine (DFLP), has also expressed strong support for Iraq. Mr Nayef Hawatmeh, the DFLP leader, mended fences with Baghdad when he visited Iraq last October.

The less independent pro-Syrian groups, mainly the PFLP-General Command and dissidents who originally belonged to Mr Yassir Arafat's Fatah movement, initially condemned the Iraqi takeover of Kuwait and even reportedly took part in a pro-Kuwait demonstration in Damascus.

But the despatch of US troops to Saudi Arabia and popular support for Iraq among Palestinians, especially in the Israeli-occupied territories, has apparently prompted these groups to shift their position.

Mr George Habash, leader of the Popular Front for the Liberation of Palestine, yesterday urged Arab "liberation movements" to boycott and strike at Israeli, US and western interests because of the foreign military intervention in the Gulf, Reuter adds from Baghdad.

The emerging consensus between radical splinter factions in Damascus and the PLO mainstream is the first since 1983, when some Damascus-based groups broke with Mr Arafat, the PLO chairman.

It will also make it more difficult for Mr Arafat to distance himself from Iraq or even assume a mediating role. Mr Arafat is coming under heavy pressure from the Gulf states to turn away from President Saddam. Palestinians working in the pro-western Gulf states fear they will be expelled as a result of the PLO's alignment with Iraq.

According to PLO officials in Amman, Qatar has already deported a number of pro-PLO Palestinians, including five members of the Palestine National Council, to Jordan.

Closing the loophole in the air

By Tony Walker in Cairo and **Paul Abrahams** in London

NOT since the blockade of Berlin in 1948 by the Soviet Union has the notion of an old-fashioned siege come so sharply into focus. The campaign to isolate Iraq gathers momentum by the day, but one glaring loophole remains and it is difficult to see how it might be blocked short of all-out war in the air.

Comments at the weekend by Mr Douglas Hurd, Britain's Foreign Secretary, to the effect that an air blockade might be required to seal Iraq more completely from the outside world indicated concern in the west about the Iraqi ability to circumvent a trade embargo by using its substantial fleet of military and commercial cargo aircraft.

Mr Hurd told reporters travelling with him in the Gulf that consideration was being given to imposing an air blockade, but he said that any action of this nature would require United Nations imprimatur. Interference with air traffic is a dangerous game, and one that the Security Council would embrace with reluctance.

Overflight rights

The Foreign Secretary hinted at the first line of attack when he said that the west was "looking at the countries over whose territory such [sanctions-busting] aircraft would have to fly". The implication here was clear: pressure would be applied to states in the region to deny overflight rights to aircraft bound for Iraq.

This week Cyprus, which had almost certainly been leaned on, quietly let it be known that Libyan aircraft would not be permitted to use Cypriot airspace on their way to Iraq. Libya is one among three or four of Iraq's Arab friends co-operating in attempts to circumvent the tough UN-mandated trade embargo.

Libya was reported last week to have sent six flights to Iraq carrying food, arms and chemicals. Libyan leader Colonel Muammer Gaddafi said at the weekend his country would not enforce a ban on food shipments to Iraq.

"It is not possible for us to participate in an action designed to starve people and children in Iraq," he said. Maghreb foreign ministers meeting in Algiers expressed similar views. Over the weekend India said it planned to send Kuwait 10,000 tons of food and medicines.

Mr Don Kerr, an air defence expert at the International Institute for Strategic Studies in London, said he could not think of any parallels to steps being proposed by Mr Hurd, except in time of war. It would be difficult forcibly to stop flights into and out of Iraq.

He said he hoped that the UN would not try to impose such a blockade because it was almost certainly doomed to failure. There was little that countries seeking to impose an air blockade could do to stop sanctions-busting aircraft short of shooting them down, and this clearly would go far beyond any measure that the UN might be prepared to approve.

Mr Kerr doubted, however, that, given Iraq's huge appetite for imported foodstuffs, it had the carrying capacity to make much of a dent in requirements.

Admittedly, Iraqi Airways has three Boeing 747-200C convertible passenger/cargo jets which can carry as much as 250,000lb of cargo. Baghdad might also use some of the 15 Kuwaiti civil aircraft captured during the invasion. Also available are the Soviet military transports of the Iraqi air force.

However, the scale of a significant airlift would be beyond their capabilities. Although Iraqi Airways increased the volume of cargo carried by 50 per cent in 1987, the last year for which figures were filed by the Iraqi authorities, it only transported 59m tonnes/kilometres. Even the support of the Libyans with their 10 Hercules C130 and Soviet transport aircraft would make only limited difference.

The most significant use of such aircraft would probably be to transport not food but spare parts for military equipment.

Spare parts

Iraq's most critical shortages are likely to be for spare parts for its military jets. Most of these are Soviet Mig-23 and Mig-21 aircraft and French Mirage fighters and ground attack jets. Both countries have said they will not supply Iraq with parts.

One avenue for the west would be to exert pressure on countries being used as a trans-shipment point for goods to be airlifted to Iraq.

It would not be too difficult for the US and its partners, with the sophisticated surveillance systems at their disposal, to track aircraft flying in and out of Iraq back to the places where they loaded embargoed goods.

However, even if the international community is armed with this knowledge it would still be difficult to make such an embargo stick. "It should be the ultimate impossibility to enforce an air blockade," said Mr Kerr, "as long as any single state is prepared to be one end of an airlift to Iraq. The danger is that you could end up blockading half of the Middle East."

"You cannot as yet lasso an aircraft and bring it to a shuddering halt," he added. "You need the co-operation of the crew to arrest an aircraft and clearly in a sanctions-busting operation that would not be forthcoming."

Baghdad Scud-B missiles 'in Sudan'

IRAQ has installed Scud-B missiles and deployed about 7,000 troops along the east coast of Sudan, Sudanese officers serving in the Gulf said yesterday, Reuter reports from Abu Dhabi.

Iraq had sent a brigade to Sudan last year to help the government fight rebels in the south, they added.

"A few days before the invasion of Kuwait, two more brigades were sent...I think there are at least 7,000 soldiers there," one Sudanese officer said.

He had obtained the information "from senior army officers in Sudan opposed to the military regime" of General Omar Hassan al-Bashir.

The United Arab Emirates newspaper al-Fajr said last week that Iraq had deployed 14 Scud-B missiles along Sudan's eastern seaboard facing Saudi Arabia.

The Sudanese officers said Iraq had boosted military co-operation and supplied large quantities of weapons to Sudan before the invasion of Kuwait on August 2.

The Sudanese regime has adopted a generally sympathetic stance towards Iraq and has criticised the US military build-up in the Gulf.

Hurd welcomes line on UN resolutions

Yemen hoping for Arab solution

By Ralph Atkins in Jeddah

YEMEN yesterday spoiled efforts by Mr Douglas Hurd, the British Foreign Secretary, to reinforce the international coalition backing sanctions as the most effective way of forcing Saddam Hussein from Kuwait.

Mr Hurd, in Yemen as part of a six-day tour of the Gulf, found its government prepared to support UN resolutions against Iraq. But it made clear its belief that the confrontation should be solved by Arab states, preferably without foreign troops in the region, and that it considered itself to have a role as a mediator.

Yemen's defiance, although expected, contrasted with the warmer welcome Mr Hurd received in Qatar, United Arab Emirates, and Oman. Mr Hurd, the first western minister to visit the Yemen since the Iraqi invasion, is seeking to strengthen the economic grip on Iraq. He later left for Saudi Arabia, where he is expected to meet King Fahd and the exiled Kuwaiti government.

The Foreign Secretary was not surprised at Yemen's reaction but welcomed its commitment to upholding the UN resolutions. Britain is likely to keep pressing on Yemen its line – dangling the possibility of financial aid as an inducement. "So far, so good," Mr Hurd said after his meetings.

Yemen, which has a population of 12.5m, and which was unified only in May, denied accusations of sanctions-breaking, admitting only that the Iraqi oil tanker Ain Zalah had partly unloaded in Aden before the UN resolutions were implemented. It denied vehemently that Iraqi Air Force aircraft were based in the country.

The country has many links with Iraq including, in the past, taking military advice. It also has a large Palestinian population. Yemen, a member of the UN Security Council, abstained on votes demanding the withdrawal of Iraqi troops from Kuwait and those enforcing sanctions.

Relations with Britain were soured when Yemen demanded that Mr Doug Gordon, Consul General in Aden, should leave because of "activities incompatible with his diplomatic status". This was later withdrawn but almost certainly indicates wider diplomatic disquiet between the two countries.

After lively exchanges in private with the foreign secretary, Lt Gen Ali Abdullah Salih, chairman of the Yemeni presidential council, told reporters that Yemen was adhering to the UN resolutions with the exception of sanctions on food, on which it had "reservations".

Earlier, Mr Haidar Abu Bakr al Attaf, Prime Minister, said the UN resolutions had been adopted in such a hurry that his country had had to abstain several times.

"The opportunity should have been given to Arab countries to solve the crisis, considering that the problem is an Arab one," he said. However, Yemen recognised its responsibilities as a member of the world community and would adhere to the resolutions.

The Prime Minister refused to explicitly condemn President Saddam Hussein's invasion of Kuwait, saying only: "Yemen does not adhere to the use of force in solving problems."

INTERNATIONAL NEWS

China offers to drop Khmer Rouge

By Peter Ellingsen in Peking

CHINA has forced the pace of reconciliation in Cambodia by offering to end its military backing for the Khmer Rouge resistance fighters.

The decision comes as all four warring factions in Cambodia agreed to meet to discuss a peace plan worked out by the five permanent members of the United Nations Security Council. They will meet in Jakarta tomorrow at a meeting organised by Mr Ali Alatas, the Indonesian Foreign Minister who has been a leading figure in the international search for a Cambodian settlement.

China declared its position in a meeting in Peking between Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Qian Qichen, his Chinese counterpart, who said Peking was prepared to stem arms supplies to the Cambodian resistance, notably the Khmer Rouge, once a political settlement was in place.

Hun Sen: seeking concessions

In a report of the weekend meeting, the official People's Daily yesterday said China and the Soviet Union had agreed to stop military supplies to all sides in the conflict once a ceasefire was agreed and the peace process under way.

China is the main arms supplier to the Khmer Rouge while the Soviet Union has aided the Vietnam-backed Phnom Penh government of Hun Sen.

Both Moscow and Peking have supported UN attempts to agree a peace plan under which the UN will monitor a ceasefire and administer key ministries prior to free elections.

The People's Daily says China and the Soviet Union backed the UN peace move and the choice of Prince Norodom Sihanouk, leader of one of the three opposition groups, as chairman of an interim Supreme National Council.

A previous attempt to form such a council collapsed in June when the Khmer Rouge said the allocation of seats on the council was unfair to it. The Khmer Rouge insists that the three opposition groups should each have a quarter of the seats and the Hun Sen government should also have a quarter. Hun Sen argues his government should have half the seats.

The People's Daily says China and the Soviet Union pledged to work for a just and reasonable solution of the conflict. "Within the limits of a complete political settlement, all sides in Cambodia should implement a ceasefire," a communiqué said, adding that Peking and Moscow would "stop military supplies to all sides" once that settlement was in place. China and the Soviet Union appealed to all countries involved to "take the same step".

Japanese help to set scene for Soviet talks

By Robert Thomson in Tokyo

MR Eduard Shevardnadze, the Soviet Foreign Minister, arrives in Tokyo today knowing that the scene for his friendship mission has been set by the Japanese public's warm embrace of a seriously injured three-year-old Soviet boy.

The Japanese media have sympathetically reported the plight of the boy, severely burned last week in an accident at his home in Sakhalin, the Soviet island immediately north of Japan, and flown to a Japanese hospital. This followed a rush of diplomacy that bridged the traditional hostility between the two countries.

Mr Shevardnadze is aware that Japan is one of few countries yet to warm to Soviet overtures, basically because of a disputed island group, the Northern Territories or the Kurils, occupied by Soviet troops in the final days of the Second World War.

The Soviet minister will hold three rounds of talks with Mr Taro Nakayama, the Japanese Foreign Minister, over the next few days in an attempt to pave the way for President Mikhail Gorbachev, whose planned visit next year will be lacking in substance unless agreement can be reached on the four disputed islands.

Tokyo has made clear that the return of the islands would open the way for official bankrolling of Japanese economic activity in the Soviet Union. A settlement would also end Japan's opposition to a relaxation of controls on technology exports to the Soviet Union and its opposition to financial assistance for the reform of the Soviet economy.

"We have to be mindful of the sentiment of the Japanese people," said a Japanese Foreign Ministry official, who pointed to the lingering distrust of Moscow's motives. "The Soviet Union is still on a military footing in the Far East." But Tokyo is concerned at being seen to be overly hostile towards Moscow and out of step with the general easing of east-west tensions.

The two ministers are certain to discuss developments in the Cambodian conflict, as Tokyo is keen to play a role in reaching a settlement and will be interested to hear Moscow's interpretation of the US decision to talk to Vietnam.

Japan is expected to explain its position on the Middle East crisis, and is certain to be prompted by Mr Nicholas Brady, the US Treasury Secretary, for a further explanation later in the week. Mr Brady arrives on Friday and apparently plans to express polite concern at the modest extent of Tokyo's contribution.

He is likely to complain about Japan's plans to use the World Bank and the International Monetary Fund as vehicles for a pledged contribution of $1bn (£51m). The US would like Japan to take a higher profile in the international peace effort and to distribute the funds directly in order to save time.

Mexico considers reform of system to pick presidents

By Richard Johns in Mexico City

MEXICO'S ruling Institutional Revolutionary Party (PRI) is considering radical moves to increase party democracy, including reform of the secretive system under which the country's presidents have chosen successors.

All candidates will be chosen after direct consultation with rank-and-file membership, according to a proposal agreed at a sub-conference in Puebla of the party's 14th national congress. The nominee for head of state would be chosen by a PRI national convention made up of democratically elected representatives.

However, mechanics of the process to choose delegates for the national convention remain unclear.

Ratification of the proposals at the final session of the party's full assembly this week seems inevitable, as the event has been orchestrated to fulfil the wishes of President Carlos Salinas de Gortari.

In an attempt to cut bureaucracy in the party, delegates at the Puebla meeting also recommended that membership of the national executive committee be cut from 37 to 9.

The party congress was marred by the decision of the democratising Critical Current group, led by veteran politician Mr Rodolfo Gonzales Guevara, to boycott the conference as it believed it could not make its views heard properly.

The group also feared expulsion from the PRI – as happened in 1987 to Mr Cuauhtemoc Cardenas, now leader of the centre-left Party of the Democratic Revolution and the leading political irritant for the ruling party.

Spice for the PRI congress was provided by comments from Mr Mario Vargas Llosa, the Peruvian novelist and runner-up in recent presidential elections there. "The perfect dictatorship is not the Soviet Union. Neither is it communism. Nor Fidel Castro. The perfect dictatorship is Mexico," he said. He was speaking during a televised debate during a week-long symposium of intellectuals, including several from eastern Europe.

In a brief exchange with reporters at Manzanillo airport, President Salinas's only comment on the affair was: "Vargas Llosa is a good novelist."

Argentine central bank in push for new charter

ARGENTINA'S central bank spent about $67.6bn (£34.6bn) over the past decade in financing the government, intervening in financial markets and subsidising exports, officials revealed in a debate on the charter of a future independent central bank, John Barham writes from Buenos Aires.

Mr Roque Fernández, a central bank director, said the bank – which is little more than a department of the Economy Ministry – covered spending by printing more money, fuelling Argentina's inflation.

The bank's spending is roughly equivalent to one year's national income, or more than Argentina's entire foreign debt. Mr Fernández said 80 per cent of the money went to the private sector.

Mr Javier González Fraga, central bank president, said the bank would only become independent when it specialised in defending the currency and stopped activities which made it politically vulnerable.

An independent central bank will be one of the pillars of the free-market economy President Carlos Menem is attempting to implant in Argentina through an aggressive privatisation policy.

THE final act in Canada's 55-day-old Mohawk Indian crisis was being played out just west of Montreal yesterday as troops with armoured personnel carriers and heavy equipment removed the last barricade at the Oka reserve without incident, Robert Gibbens writes from Montreal.

Between 20 and 30 militant Mohawk Warriors – some armed with bows and arrows (above), carbines and small arms – retreated from the barricades to a small pine forest. With their backs to the St Lawrence seaway, the men faced troops from freshly dug foxholes.

The stand-off began with a land claim dispute at Oka, when the municipality sought to extend a golf course over ground which the Indians claimed was sacred. This rapidly escalated into a national Indian rights crisis.

Philippines wants better debt deal

By Greg Hutchinson in Manila

PRESIDENT Corazon Aquino has urged her top finance officials to negotiate an improved foreign debt deal for the Philippines. The president told reporters yesterday she hoped for a negotiated arrangement with the country's creditors.

The bolder tack on the foreign debt issue will be brought to their attention, she said.

"I have been telling both (Finance) Secretary (Jesus) Estanislao and (Central Bank) Governor (Jose) Cuisia that we should seek more relief measures and also seek a better debt program with our foreign creditors," Mrs Aquino said.

The Philippines owes an array of commercial banks, multilateral, foreign government and other creditors a total of about $27bn.

The country was the first to successfully negotiate a reduction and relief programme with its foreign creditors under the initiative to ease Third World debt announced last year by Mr Nicolas Brady, the US Treasury Secretary.

However, the scheme, which included a buy-back of $1.3bn of Philippine debt at a 50 per cent discount, was criticised as not going far enough by the country's Congress – now advocating a debt payment suspension or moratorium because of national financial worries, exacerbated by the July 16 earthquake and the Gulf crisis.

Cardinal Jaime Sin, the archbishop of Manila, last week called for a limit on repayments. The essential needs of ordinary Filipinos, he said, had to come before servicing debt.

The International Monetary Fund was said by Mr Estanislao after his talks last week with IMF officials in Hong Kong to be "watching with great interest" the debate about a moratorium.

Twenty-one per cent of foreign debt is owed to multilateral creditors, 24.6 per cent to bilaterals and 44.6 per cent to banks and financial institutions. The balance is owed to other creditors.

Not enough Indonesian managers amid the chiefs

John Murray Brown looks at the acute shortage of skills which threatens growth in the economy

Too many chiefs and not enough Indians is how one executive sums up the crisis in Indonesian management.

Today the acute shortage of middle managers, those unglamorous drones of modern industry, could stifle growth just at a time when the country is looking to private business to drive the economy.

According to one estimate, industry needs a minimum of 14,000 engineers a year. Other forecasts suggest it could still be 2,000 a year short by the turn of the century.

Mr Anugerah Pekerti, who helped establish Indonesia's first business school, estimates that in the short term the country needs 80,000 managers.

Headhunting is at fever pitch. Starting salaries for local managers, already higher than those of most of Indonesia's south-east Asian neighbours, have jumped to about $11,000. The surge in foreign joint venture investments will put further pressure on local management.

One only has to look at the number of foreign managers masquerading as "consultants" to see this: the Singaporeans in Jakarta banks, Malaysians managing the plantations and the ubiquitous Filipinos everywhere from the logging camps of Kalimantan to public relations offices in downtown Jakarta. But it is not simply a question of numbers. For policy-makers it raises issues of education. Ultimately, it represents a direct challenge to the paternalistic thinking which, for 25 years, has underpinned labour relations and work practices in President Suharto's Indonesia.

President Suharto has long made education a policy priority. Primary education, although still not compulsory, is enjoyed by the vast majority of the country's 175m population. However, critics say that the government, in pursuit of mass education, has sacrificed quality for the objectives of fairness and opportunity. As one Indonesian general famously put it, Indonesia has produced a generation of "tame buffaloes".

Fewer than half the children go on to secondary school. In South Korea and Taiwan, the figure is closer to 80 per cent. Those going to Indonesian universities number less than 10 per cent, or about 30,000 graduates every year, with the emphasis still on social science and the humanities.

"We are not yet individually motivated. We are group motivated," said Air Marshal Suwondo, director of personnel at IPTN, the state aerospace company and flagship of Indonesia's high technology effort.

The local manager of a large UK company agreed: "Few of my local staff can sit around a table and shoot down an idea. We sent one of our brightest recruits to London on a training course. The change was remarkable. But then within a few weeks of his return he'd slipped back into his old ways."

One Japanese executive said: "We see ourselves as essentially middle class. But here if you're a graduate you have the immediate expectation of high rank."

The Ministry of Manpower is considering a levy on company payrolls to fund extra training facilities, similar to Singapore's Skills Development Fund tax. The government also offers tax breaks to encourage businesses to start in-house training schemes.

In addition, a number of privately-sponsored management schools have been set up. In all, there are now 11 MBA courses in Jakarta. Mr Pekerti's school was founded in 1967 with the help of a Hindu businessman and a Jesuit priest. The idea was to provide "management for the less privileged."

"If the son of the village headman applied, he would always be accepted. We want to have people who do not have a business background," said Mr Pekerti.

Indonesia has never had a true business tradition. For many Indonesians, public service is still the career of choice, despite the appalling salary levels.

The bureaucracy offers prestige, and a lucrative opportunity for patronage, and the comfort of a job for life.

Private business remains dominated by the local Chinese who, like successful minorities everywhere, are resented but grudgingly respected for their business skills. Indeed, there are still few areas where indigenous capital is bigger than local Chinese.

The construction and oil industries, relying as they do on state procurement, are the exceptions.

What is more, it is hard for an ambitious executive outside the Chinese family circle to make his mark. Chinese business traditionally relied on the services of foreign consultants. This meant lower overheads and also posed no threat to corporate secrecy. Fidaus Siddik, chairman of IPMI, Indonesia's best known management school, said: "It not just a question of ability but a question of trust."

In the private sector, it is only in the past few years that Indonesians have worked for Chinese companies. William Soeradjaya, head of Astra, one of the more enlightened of Indonesia's a Chinese conglomerates, argues that no company under totally private ownership can last more than one or two generations – one reason for Astra's recent flotation.

But as industry moves rapidly upmarket in the search for greater productivity and higher margins, it seems Indonesia's middle management crisis will get worse before it gets better.

NEWS IN BRIEF

Ben Bella prepares for his return to Algeria

MR AHMED Ben Bella, Algeria's first President, will return home this month after nine years in exile, according to Mr Mohammed Lebjaoui, a close associate, Reuter reports from Geneva.

He is due to arrive on September 27. Mr Ben Bella, aged 71, was toppled in a coup in 1965. He was released from house arrest by President Chadli Benjedid in 1980 and went into exile. Mr Ben Bella's Movement for Democracy in Algeria (MDA) was legalised in March. After 28 years of one-party rule by the National Liberation Front, elections are scheduled for next year.

NZ Prime Minister denies 'plot'

MR GEOFFREY Palmer, the New Zealand Prime Minister, rejecting suggestions of a cabinet move to unseat him, said in a nationwide broadcast yesterday he was "not a quitter" and would lead his Labour Party in the October general election, writes Terry Hall in Wellington.

He said dislodging him would require a full caucus vote by Labour MPs. However, such a meeting is due to be held today when it is expected that many MPs, scared of losing their seats with Labour trailing in the polls, will promote the need for change. Ms Helen Clark, his deputy, is said to favour Mr Mike Moore, Minister of External Relations, as Prime Minister.

Hong Kong exodus speeds up

The Hong Kong government yesterday lifted its forecast of the number of people emigrating from the colony this year to 62,000 compared to a previous estimate made in May of 55,000, writes Angus Foster in Hong Kong. Next year, 58,000 people are expected to leave the colony. Officials had hoped emigration had already plateaued after about 42,000 left last year.

Liberian rebels deepen conflict

MR Charles Taylor, the Liberian rebel leader, has declared outright war on a West African peacekeeping force, dubbing it a band of foreign mercenaries, Reuter reports from Monrovia.

His National Patriotic Front Of Liberia has been locked in battle with the force – from Nigeria, Ghana, Guinea, Sierra Leone and Gambia – since it arrived nine days ago.

Kashmir put under direct rule

THE Indian Parliament yesterday approved federal rule over Kashmir and the government said it would investigate charges of "excesses" by security men battling Moslem secessionists, Reuter reports from New Delhi. Mr Subodh Kant, junior minister for home affairs, said three security personnel faced unspecified punishment for "excesses on women", and authorities will investigate more than 30 other cases of alleged rape or molestation.

Washington's drug addicts find new hope in Reality

Nancy Dunne on a successful rehabilitation centre

CLIFFORD, 37, is a survivor. When most Americans are glued to news coverage of the Gulf crisis, he is preoccupied with his own private battle, one he has waged all his life with the inner demons that drive him to drink and drugs.

Clifford's father died of drink; a sister of a drug overdose. All seven siblings are addicts.

"I never had nothing. I never been nowhere. I never did nothing to have something," he said. "My enjoyment of life was getting high."

He dreams of going to Switzerland, far from the steamy streets of south-west Washington, where the violence of drug wars is claiming hundreds of lives a year. Television news broadcasts routinely report drug-related murders, accompanied by the familiar pictures of body bags.

Clifford is a patient in the "quarter-way" house of Reality, the lone residential drug treatment centre for indigents in Prince George's County, Maryland, on the eastern border of Washington D.C.

He has been detoxified of chemicals and is spending 28 days in an intensive therapeutic programme which sets addicts on the path to recovery.

Reality's patients – a diverse collection of street and middle-class people down on their luck – are among the fortunate minority to get help in fighting their addictions.

Reality's staff is composed of battle-weary veterans. Most were addicts themselves, and they employ the humour of the street in their unusually successful effort at rehabilitation.

Nationwide, the chances of recovery for addicts – particularly those who use crack cocaine, as most do – are low.

Mr Arthur Holsey, a burly no-nonsense counsellor, tells this to an anxious group of 10. "In one year's time, two of you will be straight. One of you will be in jail doing hard time; one of you in a mental institution and one of you dead. The rest of you will be using."

He pauses and acknowledges that the odds are depressing. "But statistics can change," he says. "Everyone in this group can get straight if you're willing to change."

He does not tell them Reality has managed to shorten the odds. More than half of those who remain through the 28 days of treatment and attend the centre's "after-care" programme have stayed drug free for at least a year.

And many of these patients, the staff says, are particularly handicapped because their long exposure to violence has produced the same post-traumatic stress syndrome common among veterans of the Vietnam war.

"They've seen their best friends get blown away," said Mr John Tartaglino, executive director of Reality. "They've been in shootouts themselves and survived. They experience shootouts in their sleep."

Reality provides an oasis of warmth and safety while enforcing tough rules. It is drummed into the patients that, to succeed, they must change. Long hair is cut, tattoos must be covered by long-sleeved shirts, obscenity is frowned on and sex between patients means immediate expulsion.

From 7am to 11pm patients maintain a rigorous schedule of classes, therapy, and Alcoholic and Narcotics Anonymous meetings. They are taught – for the first time in their lives – to understand and express their feelings.

"If you go out of here the same person who came in, you are going to use again," said Mrs Ruth Walls, a nurse teaching a class on communication.

What distinguishes Reality from most other treatment centres is its one-year programme. Instead of heading back to their drug-infested neighbourhoods, 25 patients are permitted to enter one of the programme's two half-way houses, where they find jobs and continue life in a structured drug-free environment.

Families of the patients are given six weeks of counselling and sign a "contract" promising to enforce rigid curfews, to make sure certain chores are undertaken and to eject the addict from the home if he or she breaks rules. Family members are encouraged to go to their own support groups – Alanon for alcoholics' families, Naranon for families of drug addicts, and Alateen for teenagers.

All the patients are monitored closely in the 11 months after their release and are urged to return once a week for after-care meetings.

Although run on a shoestring, treatment centres like Reality are expensive and, despite all the war-on-drugs rhetoric, they have been losing a battle for funds from Washington. Of the $9.5bn (£4.9bn) the federal government spends this year to fight substance abuse, only 25 per cent has been allocated for treatment and prevention programmes.

Mr Tartaglino, a former Transportation Department official, uses his long acquaintance with federal and state bureaucracies to stitch together funding to meet his yearly budget of $900,000. Reality is supported by state and county funds, contributions from charities and foundation and patient fees.

The director wrestles with the requirement that patients pay a minimum $200. He is uncertain whether this keeps people away or whether it selects those firmly committed to recovery.

Mr Tartaglino is anxious to open new after-care groups in areas of the county where drug use is high, but his budget barely covers the existing programme.

As it is, Reality has been turning away, on average, 100 applicants a month.

The bulk of federal money goes for drug interdiction and other efforts to stem supply. Reality counsellors believe unanimously that the undertaking is a waste. As long as they are sick, addicts will find some kind of narcotic – even if they have to manufacture it themselves – to cope with their barren lives.

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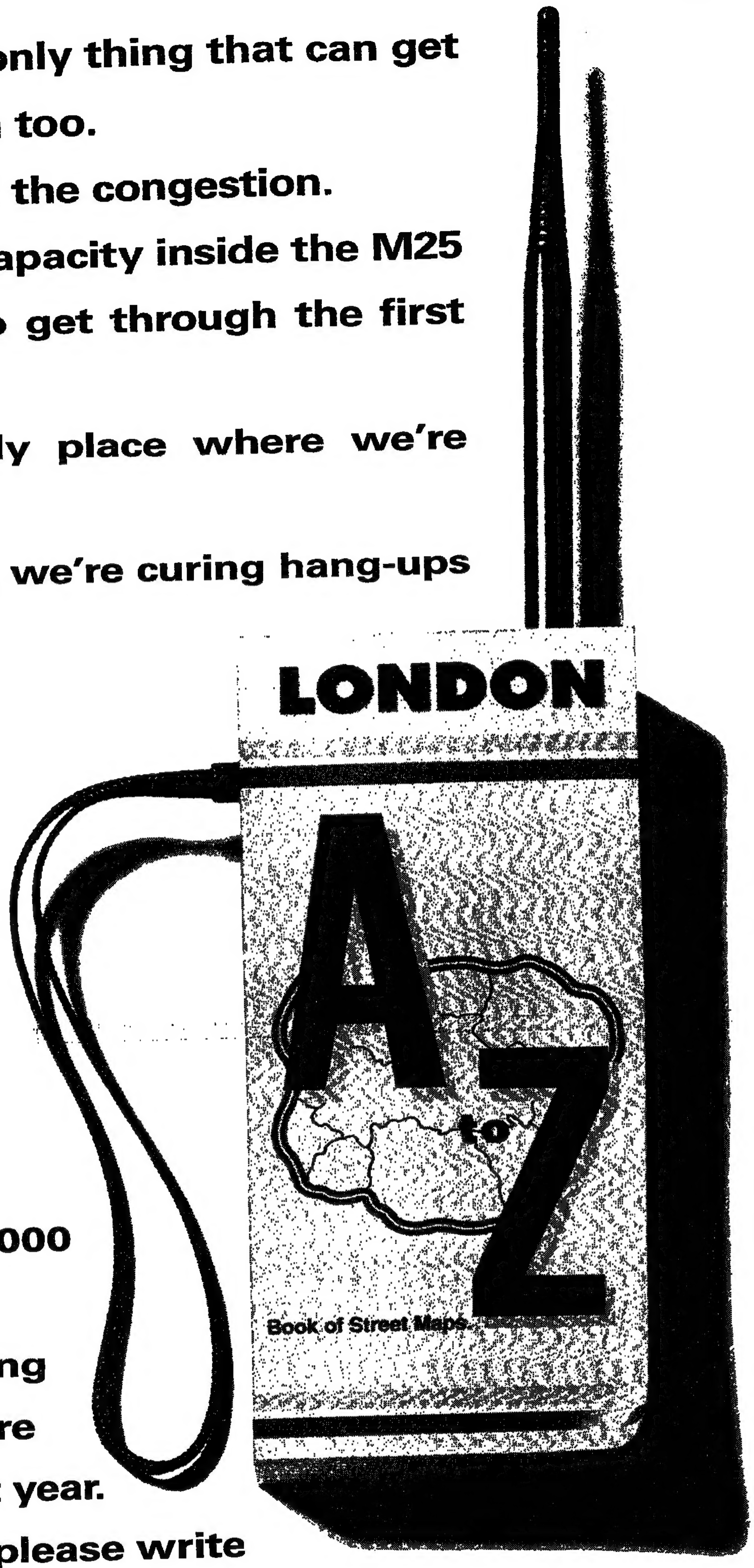

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INTERNATIONAL NEWS

Meeting of Koreas may be a turning point

John Ridding considers the implications of talks after 45 years of hostility and mistrust

NINE black sedans and three coaches are due this morning to leave Peace House at the Korean border village of Panmunjom and make their way southwards to Seoul.

The unusual convoy will contain Mr Yon Hyong Muk, the North Korean prime minister, 33 North Korean officials and 50 journalists. Never before has such a senior delegation crossed the highly-militarised border which divides the two Koreas and which has remained one of the iciest areas of cold war tension since the 1950-53 civil war.

There is still room for hiccoughs. Proposed contacts between North and South Koreans have often foundered on last minute, seemingly trivial details. In August, a team of North Koreans planning to visit Seoul to discuss arrangements for a joint peace rally refused to venture further south than Panmunjom because of disputes concerning the venue for the meeting and the means of transport there.

But today's crossing and the four-day visit by the North Korean delegation seems set to go ahead as planned.

Two rounds of prime ministerial level talks will be held, together with several official banquets and visits and a likely meeting between Mr Yon and South Korea's President Roh Tae Woo.

The meeting is significant in itself. Official contacts between the two countries have been sporadic and largely fruitless and there have been few meetings of substance since Red Cross talks, parliamentary contacts and economic co-operation negotiations were ended in 1986 because of Pyongyang's opposition to joint US-South Korean military manoeuvres.

Moreover, the meeting means that North Korea is giving effective recognition to the government in the south which it has traditionally condemned as being merely a puppet of the US.

"We attach a great deal of importance to the meeting," says Mr Lee Joung Binn, Seoul's assistant foreign minister for political affairs. "We hope it will be a turning point for North and South Korea."

The agenda for the meetings will include the reduction of tension on the peninsula, arms control, the promotion of travel, economic and other exchanges between the two countries' and their differing views on how they should pursue membership of the United Nations.

But despite the unprecedented nature of the visit, analysts and diplomats are sceptical about the prospects for breakthroughs. "I don't think North Korea will go beyond reiterating its existing positions on arms control," says Mr Han Sung Joo, professor of political science at Korea University. "On the economic front too, I don't expect any major breakthrough."


Kim Il Sung: little incentive for change


Roh Tae Woo: foreign policy coup

What this means is that North Korea is likely to call for gradual arms cuts by both sides and the withdrawal of the 43,000 US troops stationed in South Korea and US nuclear weapons. South Korea, on the other hand, will emphasise the need for confidence building measures and various exchanges before arms and troops can be reduced.

With respect to the UN, Mr Yon is likely to criticise Seoul's moves to achieve membership and propose the sharing of a UN seat and dual-membership of the organisation – a stance which South Korea has rejected as impractical.

Progress may be achieved on agreeing a non-aggression declaration, and restrictions on economic co-operation may also be eased. But diplomats argue that the the importance of the meeting is more that it is happening at all, rather than as a forum for any major policy shifts.

There are several reasons for such caution. On the one hand, the prime ministers of both countries have little role in policy making and are regarded more as figureheads. Any substantial change in north-south relations would probably require a meeting between North Korea's "great leader," President Kim Il Sung, and President Roh.

North Korean delegates to a recent academic conference in Hawaii said that any positive results to come from the second series of prime ministers' meetings to be held in Pyongyang in October.

The 45 year legacy of hostility and mistrust between the two countries and the lack of progress in previous contacts also suggests that progress will be slow.

Recent attempts at contact, in particular the failed proposals for cross border travel to commemorate the anniversary of independence from Japan on August 15, provide little encouragement and even seemed likely to doom the plans for the meetings.

Nonetheless, the mere fact that the meeting is happening does reflect important changes. In particular, the visit by the North Korean delegation reflects pressure from the Soviet Union, Pyongyang's principal economic partner, which is trying to extricate itself from costly Cold War strategic interests while developing trade and investment relations with prosperous economies such as South Korea.

> **Parallels between German reunification – in particular the rapid pace of that movement – and the prospects for change in North Korea are tempting, but misleading. The situation between North and South Korea, which fought a bloody war and remain almost completely isolated, is very different from the German scenario.**

"I think the decisive element was probably that Mr Shevardnadze, the Soviet foreign minister, is visiting Pyongyang this week," says Professor Han. "This made it very difficult for North Korea to back down from the meeting."

For Mr Roh the prime ministerial level talks represent another foreign policy coup to offset his domestic political problems. He can argue that his policy of Nordpolitik – the establishment of relations with socialist bloc states with the aim of pressuring Pyongyang into dialogue and easing tension on the peninsular – is paying dividends.

At the same time, Seoul's flexibility in agreeing to North Korean conditions suggests a greater confidence in dealing with Pyongyang, partly based on the tide towards openness and reform which has swept across communist countries.

Parallels between such events – in particular the rapid pace of German reunification – and the prospects for change in North Korea are tempting, but misleading. The situation between North and South Korea, which fought a bloody war and remain almost completely isolated, is very different from the German scenario.

Moreover, President Kim Il Sung would seem to have little incentive in changing a system which provides such effective control and on which his legitimacy is entirely based.

"The visit of his prime minister across a border closed even to mail and telephones is significant," says one western diplomat, "but it is too early to talk of any substantial shift on the Korean peninsula."

Contacts between Seoul and Pyongyang

1945: At the end of the Second World War, Korea was divided along the 38th parallel with Soviet administration in the north and US administration in the south.
1950-53: Korean war.
1972: July 4 – South-North Joint Communique, defining principles of reunification and establishing a south-north co-ordinating committee, announced in Seoul and Pyongyang simultaneously.
1973: July – Seven sets of Red Cross negotiations held in Seoul and Pyongyang; August – North Korea suspends inter-Korean dialogue.
1984: April – First round of talks on forming single Korean teams to attend Asian games in 1986 and Seoul Olympics in 1988; September – North Korea sends relief goods to South Korea to aid flood victims; November – Economic talks open at Panmunjom.
1985: May-August – Red Cross conferences in Seoul and Pyongyang; September – South and North Korea exchange visits by visiting groups and folk art troupes after 40 years of division; October – Sports officals from both Koreas open talks in Switzerland; December – Red Cross conference in Seoul.
1986: January – North Korea suspends contacts following South Korea's refusal to cancel military excercises with US.
1988: August – First round of preliminary talks held at Panmunjom to arrange parliamentary talks.
1989: February – First round of preliminary talks held at Panmunjom to arrange meeting between prime ministers.
1990: July – North Korea announces it will unilaterally open the northern part of the truce village of Panmunjom; July 20 – South Korean President Roh Tae Woo proposes opening the border for five days in August to celebrate national liberation day; July 26 – Eighth preliminary meeting for high level talks decides that prime ministers will meet in Seoul in September and in Pyongyang in October.

WORLD TRADE NEWS

Gatt countries urged to take long-term view

By William Dullforce in Geneva

MR ARTHUR Dunkel, Director-General of the General Agreement on Tariffs and Trade (Gatt), yesterday urged governments to take a long-term view of their interests as well as seeking short-term advantages in the Uruguay Round trade talks.

In a foreword to *Gatt Activities 1989**, Mr Dunkel noted a deep sense of concern that the Round, which is due to end in Brussels in December, was behind schedule. Many of the reports from negotiating groups to the trade negotiations committee at the end of July had represented only a compendium of (conflicting) national positions, Mr Dunkel said.

Dunkel: deep concern

Little, if any, progress was made last week when crucial talks on farm trade reform and services resumed.

One minor development was the tabling of a paper by the Gatt secretariat, setting out ideas for a safeguard mechanism to protect countries against sudden surges in imports while they reduced their current farm supports.

The next staging post in the farm talks is October 1, when governments have to submit full details of their current assistance to agriculture. Mr Dunkel comments in his foreword to *Gatt Activities* on the growing number of developing countries willing to pay a high price in terms of commitments to free trade, in order to join Gatt. Bolivia, Costa Rica, Tunisia and Venezuela have just, or are about, to become members.

Countries which had had the vision to accept political and economic reform should be able to rely on the support of governments participating in the trade-liberalising Uruguay Round, Mr Dunkel said.

It would be a severe setback, if countries which had gained so much from the Gatt system over the past 40 years failed it at this critical juncture.

Gatt Activities outlines the world trade organisation's work during 1989 and the early part of 1990, including some important decisions in trade disputes.

**Available in English, and shortly in French and Spanish, from the Gatt Secretariat, 154 rue de Lausanne, 1211 Geneva 21. Price SFr20.*

Algeria to expand gas pipeline

ALGERIA has decided to move ahead with plans to expand a pipeline which carries its natural gas exports across the Mediterranean to Italy, the Nicosia-based oil industry weekly Middle East Economic Survey reported yesterday, AP-DJ reports from Manama, Bahrain.

MEES said negotiations were taking place on the exact size of the increase in capacity, and a decision is expected before the end of 1990.

The expansion is part of an effort by Algeria to boost its natural gas exports.

MEES said Algeria might increase the capacity of the so-called TransMed pipeline by around 10bn cubic metres annually. The present system can pipe 12.5bn cubic metres a year through the undersea section, though capacity in other sections of the pipe is higher.

In the first phase of expansion, now under discussion, Algeria may add a new subsea pipeline and a compressor station in the Algerian section of the pipe.

The Italian state power company Enel has already agreed to purchase an extra 4bn cubic metres annually. Talks are also under way with Italy's SNAM, currently taking 11bn cubic meters a year, about increasing purchases by some 5bn cubic metres.

US dumping charges dash Mexican hopes

Dispute over cement exports deflates free trade euphoria, reports **Richard Johns**

JUST AS President George Bush prepares to seek approval from the US Congress to negotiate a free trade agreement with Mexico a shadow of suspicion and doubt has been cast by the US decision to implement sanctions against Mexican cement exports.

Reaction from the Mexican Government has been subdued because of its anxiety to conclude the accord. An appeal by Mexico's cement industry against the decision will await receipt this week of detailed allegations of "dumping" which are strongly denied by the industry.

Concern about future commercial relations has also mounted as a result of notification given by hard-pressed US producers – backed by labour unions – that they intend to level "anti-dumping" charges against Mexican-based, Asian-owned manufacturers of colour television tubes and other TV components manufactured by *maquiladora*, or in-bond, industry along the border.

For his part President Carlos Salinas de Gortari has said that Mexico will react to US abuses of its policy of *apertura*, or commercial opening. In addition Mr Herminioo Blanco Mendoza, under-secretary at the Ministry of Industry and Commerce, said that Mexico would tighten up on supervision of imports of acrylic fibres, polyvinyl chloride and denim cloth, although he stressed that the main problem was under-invoicing and smuggling.

> Cemex – the company hit hardest by the US action – is particularly resentful because it claims that some 70 per cent of the US cement industry is owned by European and Japanese companies which are leading the "anti-dumping" campaign

Mr Lorenzo Zambrano, chief executive of the Cemex group – the company hit hardest by the US action – described the ITC decision as "absurd" and "hasty." In particular, Cemex complains that the ITC has miscalculated transportation costs.

Since August 21 US importers of Cemex products must tender deposits to the US Customs Service equivalent to prevailing tariffs, currently amounting to nearly 58 per cent ad valorem.

The surcharge on Apsaco (a company controlled by Holderbank) is over 53 per cent. For other producers it will be 57.6 per cent with the exception of Cementos Hidalgo, whose penalty has been set at only 3.7 per cent.

Cemex is the biggest cement producer based in the Americas and the fourth largest in the world following its purchase last year of Empresas Tolteca, including a 49 per cent stake formerly owned by Blue Circle of the UK. Financing the acquisition substantially increased its debt-equity ratio to about 60 per cent.

Holderbank of Switzerland is the undisputed leader in the industry worldwide followed by Lafarge of France and Blue Circle of the UK.

Cemex has about two-thirds of Mexico's capacity and in 1989 claimed 88 per cent of the country's exports of gray portland cement and clinker before the ITC's determination of injury in response to a suit by "the Ad Hoc Committee of Arizona-New Mexico-Texas-Florida Producers of Gray Portland Cement."

The ITC decision was split, with two commissioners in favour and one against with a fourth withdrawing from the case for unexplained reasons. Two of the positions on what should be a six-member team are vacant.

Following a preliminary decision by the ITC in April, Cemex has forfeited in bonds some $16m (£8.20m) to compensate aggrieved cement producers in the southern-tier states of the US for their alleged losses and "injury" resulting from alleged dumping. Its stock market value has slumped badly since the decision was announced but increased domestic demand of nearly 10 per cent in the first half of 1990 as a result of economic recovery has largely compensated for the fall in exports.

Cemex is particularly resentful because, it claims, some 70 per cent of the US cement industry is owned by European and Japanese companies which are leading the "anti-dumping" campaign. According to US statistics, imports accounted for 20 per cent of consumption in the southern region, with Mexico accounting for half of the imports.

Together with the glass manufacturer Vitro – a group which also has headquarters in Mexico's northern business stronghold – Cemex was one of the few notable success stories among Mexican companies prepared to do battle on US territory through takeovers and direct investment.

Whatever the rights and wrongs of the cement case, the Mexican business community is worried that its own companies can only come off worse under any free trade agreement in the face of US protectionism.

With Mexican inflation running at four to five times the US rate and the peso looking increasingly over-valued, the comparative advantage enjoyed by Mexico because of its cheap labour is looking somewhat thin, according to independent economists.

In this situation the ITC injunction looks as if it will be a major issue. Cemex has said that it will appeal – but the nature and direction of its complaint will depend on the documents to be issued this week.

The ITC would only review its case in a year's time. Cemex, meanwhile, has the right to appeal to the ITC-related International Trade Court in New York. But the probability is that Mexico will battle out the issue in the final stages of the Uruguay Round negotiations of the General Agreement on Tariffs and Trade.

Leipzig fair fights for survival as unity beckons

LEIPZIG's twice yearly International Trade Fair, a window for east-west commerce throughout the cold war, is fighting for survival, Reuter reports from Leipzig.

A month from now Germany will be unified and cities like Hanover and Frankfurt stage bigger and better exhibitions each year, supported by far more infrastructure to cater for visitors.

"Orientating yourself to eastern Europe is not enough for an international fair," Mr Franz Schoser, head of West Germany's Association of Chambers of Commerce, said yesterday.

But Mr Siegfried Fischer, the Leipzig Fair's director-general, said he still saw a role for his city's fair as a window for western goods and a gateway to eastern Europe.

Critics argue that East Germans no longer need the fair to see goods which, since the demise last year of the hard-line Communist government, they can now buy locally.

Leipzig has traditionally staged two fairs a year – one in the spring for heavy industry and one in the autumn for consumer goods.

This year's autumn fair, which began on Sunday and runs all week, is a subdued affair with smaller crowds. Mr Hans-Dieter Manegold, head of Leipzig's Chamber of Commerce, estimated that far fewer than 300,000 visitors (last year's attendance) would make the journey this year.

The fair's role as an east-west trade forum is also suffering because of economic problems in East Germany and eastern Europe.

Mr Helmut Haussmann, West Germany's Economics Minister, said the fair needed a new concept to survive.

LABELLING RULE MAY BE RELAXED

HK watchmakers on brink of export spurt

HONG KONG watchmakers believe they may be on the cusp of a sizeable export spurt, thanks to the anticipated easing of a local labelling rule, AP-DJ Reports from Hong Kong.

The development would permit Hong Kong manufacturers to stamp such designations as "Swiss" or "Japan" on the faces of locally-assembled watches whose movements originated in those places.

The change, expected early next year in the government's code covering point-of-origin designations, may boost foreign watch sales some 30 to 40 per cent, according to leaders of the local industry. Hong Kong made roughly two-fifths of the 260m timepieces sold last year, they said.

Producers from Japan and Taiwan are likely to shift some operations to the colony, where their major parts suppliers are located, once the looser rules are implemented, they claim. And local makers should find new market niches opening to them.

The new labelling rule is considered an important easing in the current stringent guidelines which apply to Hong Kong's 1,300 watchmaking companies. They require that if an origin label is prominently used, it must reflect where the final assembly work was done. Consequently, even if a watch's key parts came from Switzerland, the final product could not bear the European label if the labour-intensive final packaging work was done by a local company either.

Industry executives say origin labelling is a critical marketing tool in a business where the difference between a watch and a timepiece, a fashion accessory and a personal statement, is often a matter of perception.

Mr Bob Chong, president of the Hong Kong Watch Manufacturers Association,

and others have battled for looser labelling rules since the mid-1980s. But the government had resisted their pleas until last year, when Switzerland finally codified its own watch-labelling rules.

Once Bern's rules were established, Hong Kong began the process of drafting roughly parallel regulations, which are in line with those in most other countries.

Mr Chong said the move would provide a badly needed shot in the arm for the industry. While some believe it could ultimately lead to a doubling in total foreign sales, he said an increase of 30 to 40 per cent within the first year was more realistic.

Hong Kong sold approximately 110m watches in 1990 worth HK$16bn (£1.1bn). But the value was down 1 per cent on the year, following jumps of 20 to 40 per cent over much of the decade, industry and government data show.

The prospects for this year are not much better. While sales were up 4 per cent in the first half to HK$7.7bn, Mr Chong said Middle East buyers started scrapping orders when the Gulf crisis began. And further cancellations are likely from the US, Europe and Japan if the global economy slows further.

He added, however, that locally produced watches should be less sensitive to a recession than other consumer goods because they retail at a relatively modest price, generally in the range of £7.50 to £50.

Executives said the increased production would be accounted for partly from foreign producers moving production to Hong Kong and southern China.

Numbers of them remain outside Hong Kong chiefly because foreign origin labels are important to their marketing strategy, according to Mr Samson Sun, who has spent more than 30 years in the industry and churns out over half a million watches a month with Japan's Citizen Watch.

E German industrial output drops

By David Goodhart in Bonn

INDUSTRIAL production in East Germany fell by 42 per cent in July – the first month of economic and currency union – compared with July 1989, according to the East German Statistics Office.

The biggest drop came in the metal industry (60 per cent), food production (58 per cent), and the textile industry and light industry (both 51 per cent).

The only product areas to reach, or surpass, the production level of July 1989 were paper and printing industry machinery, woodwork and railway tracks.

In June, just before currency union, industrial production fell by 35 per cent, and for the year as a whole it has fallen 12 per cent.

The figures were not contested by the Economic Ministry in Bonn, although an official said that they were unlikely to be precise.

Economists have been expecting a drop of about 10 per cent in East German GNP this year. The industrial production figures suggest the fall may be even steeper, if East German GNP is still recorded at all after the merger with West Germany.

One positive effect of the drop in industrial production is that the air pollution problem is improving.

Mr Lothar de Maizière, the East German Prime Minister, told a conference in Sweden at the weekend that air pollution in East Germany had fallen 15 per cent in the first five months of 1990, compared with figures for the same period in 1989.

Mr Helmut Ricke, head of the Telekom business of the West German Bundespost, also had good news for East Germany. He said yesterday that the target to increase the number of lines by 100,000 in 1990 had already been reached, and that next year the figure would rise to 1.5m.

Some 7.2m lines would be installed over the next seven years and by the end of the century, there would be no difference in telecommunications standards between East and West Germany.

That will make life easier for the increasing number of senior West German businessmen who are taking up part-time positions at the head of the newly formed supervisory boards of East German companies.

Mr Heinrich Weiss of SMS Schloemann-Siemag has agreed to head the supervisory board of the heavy industrial East German group Sket, and Mr Hans-Joachim Leuschner, a senior executive of the West German energy group RWE, will take over at the brown-coal producer Lausitzer Braunkohle.

● Industrial production in West Germany continues to rise, confirming expectations of 4 per cent growth in West German GNP this year.

In July, production increased in value by 1.5 per cent over June and by 4 per cent over July last year.

Prague unveils plans to privatise

By Judy Dempsey

CZECHOSLOVAKIA'S long-awaited plans for privatisation were unveiled at the weekend, following criticism by several economists that the presidency was dragging its feet on introducing economic reforms.

The first part of the three-phase programme will focus on the least controversial area: selling restaurants, shops and services to the private sector.

The draft law, which will be presented to the Czechoslovak federal parliament later this month, envisages the whole process beginning next January.

But meanwhile, Mr Vaclav Klaus, Minister of Finance, and Mr Jan Triska, the overseer of privatisation, both of whom advocate a much faster pace for the reforms, are preparing the law on how to transfer state property to the private sphere.

The legislation envisages:

● giving former owners the right to claim their property within a limited time;

● offering the present owners the chance to buy the property;

● auctioning off the remaining property to the public.

The second phase will involve large-scale enterprises, such as Skoda, the car and motor works. But a spokesman for Mr Klaus said the state would retain a 20-30 per cent stake in these enterprises, on the grounds that some of the industries have social and strategic importance.

This is a view strongly shared by the Castle, the seat of President Vaclav Havel and his advisers, who support a more cautious road to privatisation, and who fear the social and political consequences of a rapid rise in unemployment.

The third phase envisages hiving off state-run enterprises and transforming them into joint-stock companies.

The delay in drawing up the draft privatisation law had been dogged by indecision and bickering in the government. One official yesterday described the delay as "creating a political vacuum and public impatience".

Despite this, the discussions appeared in recent weeks to assume less urgency. This is partly because Mr Havel, Mr Petr Pithard, Prime Minister of the Czech Lands, and Mr Vladimir Meciar, Prime Minister of Slovakia, have become increasingly embroiled in calls by Slovak nationalists for a state separate and independent from the Czech Lands.

Greek bank strike

MORE than half of Greece's bank employees staged a 24-hour strike yesterday, to protest at lay-offs at state-run banks, AP reports from Athens.

The Mortgage, Ionian and Commercial banks have ordered a total 820 redundancies for this month as part of a government plan to cut costs and streamline the country's unwieldy public sector.

The Gulf crisis could nudge Germany's growth rate lower

THE GULF CRISIS: EUROPEAN ECONOMIC FALLOUT

GERMANY

Andrew Fisher reports that domestic concerns are still dominant but imported inflation could cause concern

IN WEST German newspapers, the Gulf crisis has at least had the effect of removing the tortuous negotiations and discussions about German unity from the main headlines, though not for long. It is still the date of October 3, and the political and economic change stemming from unification, which is uppermost in many people's minds.

However, even the current German tendency to become transfixed with internal matters cannot obscure the fact that the Gulf crisis is bound to affect the economic outlook. This is especially true now that the prosperous western part of Germany is finally joining up with the poorer, more vulnerable eastern part.

One of the big differences between the two Germanys is the way in which industries and households use energy. In West Germany, dependence on oil has fallen sharply since the 1970s oil crises. Oil accounted for only 7.5 per cent of total imports in West Germany last year; in the mid-1970s, it was nearly 20 per cent. West Germany's net energy imports were $14bn in 1989, equivalent to only 1.2 per cent of gross national product.

As for the overall impact on the economy, therefore, West Germany does not stand to suffer too greatly, although inflation will be given an unfortunate lift – the Germans are among the most inflation-conscious people in the world – if oil prices stay too high. Provisional figures for August showed inflation already nudging 3 per cent after remaining just above 2 per cent for much of 1990.

The Hamburg Economic Research Institute (HWWA) reckons inflation will average some 3 per cent this year and rise to 4.5 per cent next year. If the Gulf crisis worsens, these figures could go higher. The extra push on costs and prices from events in the Gulf comes as German companies are already feeling the pinch from both the strong D-Mark, which hurts their export revenues, and the average 6 per cent wage increases agreed this year.

Thus growth could be slowed, possibly to around 3 per cent next year from the 3.5 per cent generally forecast.

However, the impact on East Germany will be more severe, especially in view of the economic chaos now being experienced.

East Germany is not a big oil user, but it uses energy inefficiently.

East Germany's long-term goal is to use more oil, gas, and hard coal to increase efficiency and reduce the environmental horrors caused by brown coal. Cutting down on the energy losses will obviously help the fuel bill. But East German industrial output should pick up considerably once the transitional difficulties have been sorted out and this will raise energy requirements.

Moreover, eastern Europe (including East Germany, but not the Soviet Union) stands to suffer from higher oil prices, possibly to the tune of some $3bn, according to Mr Jonathan Hoffman, an economist with Credit Suisse First Boston. This will further erode the purchasing power of Comecon countries, thus adding to the acute difficulties of East German firms, many of which were heavily dependent on trade with their eastern neighbours.

The Soviet Union, however, would benefit by around $6bn a year, but its acute economic problems could outweigh any benefits from this quarter.

Although the potential oil shock is likely to be less than in the 1970s, Mr Hoffman sees one danger, namely the fact that IG Metall, the big engineering trade union, has now won the right to annual agreements. The previous deal was for three years.

"This means that oil price rises are likely to pass through into labour costs much faster than in the earlier episodes." The high D-Mark provides some inflationary protection, however. On balance, Germany looks likely to sail through the crisis, assuming that it does not escalate severely, without too many jolts.

For East Germany, there is a bitterly ironic note to the Gulf tension.

It was the 1970s oil crises that decided the East Berlin Government to become as self-sufficient in energy as possible and thus save on valuable foreign exchange. This led to heavy use of brown coal, much of which has a high sulphur content, and thus to its present distressing scale of pollution and low level of industrial efficiency. German unification will at least ensure that these costly problems are attended to, whatever the impact of the Gulf crisis.

General strike in Kosovo over sackings

By Laura Silber in Pristina

ETHNIC Albanians yesterday overwhelmingly heeded a call for a 24-hour general strike yesterday in protest against Serbia's tightening repression of the Yugoslav province of Kosovo. Shops were shut and normally busy streets were deserted, as Albanians stayed at home.

The strike is in response to the sacking of several thousand Albanians from their jobs. They have been replaced by Serbs in what is the poorest of Yugoslavia's six republics and two provinces.

Serbian authorities said strikers would either be dismissed or owners of private shops locked out today. Mr Hajrullah Gorani, head of the province's independent trade union, was jailed for 60 days last week, when he called for the strike.

"Monday's strike is a warning to Yugoslavia and the world that 15,000 Albanians have been fired," said Mr Ibrahim Rugova, leader of the largest unofficial opposition group, the Democratic League of Kosovo, which claims more than 500,000 members. "The Serbian Government wants to provoke a civil war."

The strike follows harsh criticism of Serbia's human rights record by Mr Robert Dole, the US Senate Republican leader, after his visit to Kosovo last week.

The group of seven senators issued a harsh statement expressing "deep concern with the latest proof that the Serbian government is destroying the human rights of Albanians in a systematic way." Mr Dole warned that future US economic aid would depend on greater democratisation in Yugoslavia.

Serbia tightened its grip on the autonomous province two years ago. At least 60 Albanians have been killed over the past 18 months, during protests against Serbian control of Kosovo, where Albanians comprise 90 per cent of the province's 2m population.

Serbia dissolved its province's parliament on July 2, when ethnic Albanian deputies proclaimed the province's independence from Serbia, the biggest Yugoslav republic. Since then, the authorities threaten that children who have committed "hostile actions," which could be flashing a V-for-victory sign, will not be allowed to attend school this year. Rilindja, the Albanian language daily, has been banned.

Police who occupied the province's television and radio station in July have continued to maintain a permanent presence in the workplace. The decrepit 720-bed Hotel Grand in the province's capital, Pristina, is now filled to capacity with hundreds of Serbian secret police who have come to Kosovo to ensure Serbian control.

Opposition leaders see the success of yesterday's strike as proof of Albanian unity against Serbian repression. Mr Rugova said: "Albanians will lose everything if we stay under Serbia. We are its hostages."

● World Bank President Barber Conable yesterday praised Yugoslavia's economic reform programme but said it must accelerate changes to its banking system to help in the restructuring of the nation's business enterprises, Reuter reports from Belgrade.

"While very important and courageous steps have been taken by the Yugoslav government, the implementation of these steps must be further enhanced by enterprise restructuring and by financial or banking sector reform," Mr Conable said.

"We have been anxious to ensure that the Yugoslav authorities give as high a priority to this (banking reform) as we believe should be placed on it," he said after talks with Yugoslav Prime Minister Ante Markovic. Mr Markovic launched an austerity programme last December that has cut the monthly inflation rate of almost 65 per cent to single figures.

On their first day back at school yesterday East German students receive new West German textbooks. Marcus, of East Berlin, hands grammar books to his classmates.

Scrapped factories 'will feed' E Europe's steel industry

By Charles Leadbeater, Industrial Editor

THE SCRAP metal produced by the dismantling of eastern Europe's obsolete factories, could become one of the regions most significant exports and rejuvenate its antiquated steel industry. This is the view of a report on the outlook for western investment in east Europe's steel industry.

The forecast surplus in scrap metal will provide the raw material for mini-mills – the small, electric arc furnace steel plants, which are expected to pose a growing competitive threat to Europe's traditional integrated steel producers.

The report by Beddows and Company, the strategy consultancy which specialises in the steel industry, predicts that western companies are more likely to build mini-mills on greenfield sites than invest in the modernisation of established facilities.

In the long run, eastern Europe could provide a home for about 25 mini-mills, each producing 0.5m-1m tonnes of steel a year, the report says.

Even heavy western investment is unlikely to save the traditional large plants. Most integrated plants will have to close if they are exposed to international competition, according to the study.

Eastern Europe last year produced 218m tonnes of steel, 160m tonnes if it by the Soviet Union. Most of the remainder came from Czechoslovakia, with an annual output of 15.5m tonnes, Poland with 14.8m and Romania with 7.8m. They rank eleventh, thirteenth and fifteenth respectively in terms of world steel production.

However, most production from these three countries is internationally uncompetitive. Only 9 per cent of Czechoslovak steel is made using low cost, continuous casting, 7 per cent of Polish steel and 34 per cent of Romanian output.

This compares with a world average for continuous casting of 62 per cent, and 87 per cent in western Europe. The leading west European producers, such as British Steel and Usinor Sacilor in France, make virtually all of their steel using continuous casting.

About 40 per cent of east European steel is made using old fashioned open hearth technology, which is about a fifth more expensive than alternatives. In contrast only 1 per cent of western Europe's steel comes from open hearths.

The report estimates that the east European industry would need investment of at least $25bn to bring it close to world standards. However, with continuing over-capacity in the west European industry and producers facing a tight squeeze on margins with slower growth in the next two years, it is unlikely such investment will be forthcoming from west European steel producers.

> Scrap metal will provide the raw material for mini-mills, which are expected to pose a growing competitive threat to Europe's traditional producers

Instead, they might be prepared to investment in mini-mills, which are expected to be at the leading edge of technological change in the industry over the next few years. A competitive mini-mill, able to draw on large amounts of scrap metal and capable of producing about 1m tonnes a year would cost $300m. In contrast, a modern integrated facility of international scale would cost at least $1.5bn.

Extrapolating from the growth of mini-mills in the US, where they now account for more than 65 per cent of production of some products, the report estimates such east European mills could eventually produce up to 49m tonnes a year. Poland and Czechoslovakia are the most likely targets for investment, it says.

Opportunities for mini-mill investment in Eastern Europe, available from Beddows & Company, 9 Dartmouth St, London SW1H 9BL.

EC assays Britain's 'hard Ecu' proposal

By David Buchan in Brussels

THE European Community's Monetary Committee will today examine the British plan to promote a "hard Ecu" in parallel with national currencies and as an alternative to forging a single European money.

Italy, current EC president, has called today's meeting of senior treasury and finance ministry officials, plus the European Commission, to clear the deck of the British plan before next weekend's more wide-ranging discussion by finance ministers in Rome of economic and monetary union (EMU).

The British plan, which involves trying to turn the present Ecu from a basket of the EC's 11 currencies into a hard currency in its own right, has been politely received, even welcomed, by some EC states, but only as a sign that the UK Government has dropped its earlier opposition to any change to the European monetary system which sterling is pledged to join soon.

No other EC government has come out in open support of the hard Ecu idea, which Britain's partners see as a tactic to slow the momentum behind plans for a federal central bank running a single currency. The plan which the Monetary Committee will review today is essentially that tabled by Mr John Major, the UK Chancellor, in June.

The Rome meeting on EMU will have before it a report adopted by the Commission last month. This notes that "the UK position has evolved positively recently by accepting, in its 'hard Ecu' proposal, the necessity of a treaty revision, the creation of a common monetary institution, and that the Ecu could become the single currency in Europe".

But it still argues that the gradual evolution of a parallel hard Ecu "is not seen as fitting easily into the general conception" of the widely-backed Delors plan for a firm decision to go for a single currency run by a federal central bank.

France increases aid to developing nations

By Ian Davidson in Paris

PRESIDENT François Mitterrand yesterday pledged a sharp increase in the flow of French development aid to the poorest developing countries, from 0.15 per cent to 0.2 per cent of gross domestic product, and called on the rest of the industrialised world to follow suit.

Speaking at the opening of the United Nations Second Conference on the Least Developed Countries (LDCs), Mr Mitterrand also announced the cancellation of the outstanding public debt of the LDCs, and said that in future French aid to these countries would all be in the form of gifts, not loans. The two measures are subject to parliamentary approval.

Mr Mitterrand's promise of increased development aid is intended to restore some credibility to existing pledges which the industrialised countries have on the whole failed to carry out.

The first UN Conference, held in 1981, set an aid target of 0.15 per cent of GDP for the poorest developing countries, but the donor countries are still only at 0.09 per cent.

Only eight donor countries, including France, have already achieved the 0.15 per cent target, and they are being urged by Mr Mitterrand to pledge a higher target of 0.2 per cent of GDP. He called on the other donor countries to meet the 0.15 per cent target within five years.

Mr Mitterrand's offer to cancel the outstanding public debt of all the poorest developing countries, is an extension of a decision earlier this year, when France undertook the cancellation of the public debts of the 35 poorest countries in Africa, covering total outstanding debt of FFr28bn ($5.35m). The new debt cancellation, affecting seven non-African countries, covers an additional FFr2bn ($380m) in public debts.

Mr Mitterrand called for new efforts to set up effective price support systems for the commodity exports of the developing countries.

Baltic Sea clean-up to begin soon

By Robert Taylor in Ronneby, Sweden

A PLAN to clean up the heavily polluted Baltic Sea was proposed yesterday at a meeting on Sweden's Baltic coast of northern European countries which included the Soviet Union, Poland and East Germany.

The conference pledged joint co-operation in a comprehensive programme designed to halve the level of poisonous emissions from industry and agriculture into the Baltic Sea by 1995.

Sweden's Prime Minister, Mr Invar Carlsson, claimed the joint declaration marked "a breakthrough" in efforts to restore the ecological balance of the Baltic.

Each government has to submit national plans for action for the environmental clean-up to a high-level joint task force by January 31 1991.

A final programme can then be ready to begin by the end of next year and its main elements implemented by 1993.

Italian Communists open old party wounds

By John Wyles in Rome

THE Italian Communist Party's (PCI) capacity for doing grievous bodily harm to itself is again fully in evidence this week with a revival of old controversies about the responsibility for a large number of apparently political assassinations in northern Italy between 1945 and 1948.

The timing of this unexpected and extraordinary move to turn back the pages of history looks suspiciously connected to the PCI's contemporary agonies.

Its prolonged attempt to carve out a new name and identity will reach a climax over the next three months, and the current resurrection of memories of a murky and disreputable episode in the PCI's past is likely to be more embarrassing for the one-third of the party which is resisting change than for the majority supporting the reformist leadership of Mr Achille Occhetto.

The "Young Turks" in their 40s who surround Mr Occhetto are maintaining that the PCI has nothing to lose in trying to establish the real truth about the 200 – some say 2,000 – or so murders carried out after Italian liberation in 1945 and until 1948, of suspected fascist sympathisers, including priests and Italian aristocrats.

Former communist partisans were convicted of some of the murders, while many went unpunished because some of the perpetrators were certainly among the 400-500 partisans who fled into exile in Czechoslovakia.

Most of the crimes were committed in the Communist stronghold of Emiglia Romana, in and around the cities of Modena and Reggio Emiglia. They have been re-presented for public scrutiny by a former PCI deputy from the region, Mr Otello Montanari, who wrote a newspaper article last week to commemorate the 45th anniversary of the murder of Arnaldo Vischi, an industrial manager, whose killers were never identified. Mr Montanari alleged a cover-up about the responsibility for the Vischi death.

The subsequent rumpus looks likely to do further damage to the reputation of the PCI's historic leader, Mr Palmiro Togliatti. Although the Stalinist Togliatti did take steps to rein in the rampant partisans, he is said to have encouraged the flight into Czechoslovakia of many guilty men.

Some of the most strenuous opponents of Mr Occhetto's troubled drive to lead his party away from communism are members of its septuagenarian old guard prominent in its Stalinist past.

This latest move to focus on the least edifying aspects of that past smacks of an attempt to retaliate for last month's refusal by the anti-Occhetto minority to support the leadership's decision to abstain during a parliamentary vote on the sending of two Italian frigates to the Gulf.

This unprecedented division on a parliamentary vote highlighted a split now so bitter that the possibility of a schism is being openly acknowledged on both sides.

Restless Ukraine strains at the bonds of Soviet empire

Nationalist leader tells **Anthony Robinson** why sovereignty for the republics is necessary step towards working together

THE CONSTITUENT parts of the Soviet Union are mere colonies of a terrible empire whose break-up is for the good of the whole world. We must first regain our sovereignty, only then can we freely decide how to work together.

With these uncompromising words Mr Bohdan Horyn, who in the Brezhnevite sixties spent three years in a concentration camp for his Ukrainian nationalist views, underlined the sort of resistance which President Mikhail Gorbachev faces in pushing through the economic reforms agreed last week with Mr Boris Yeltsin, president of the Russian Federation.

Mr Horyn is one of the senior council members of Rukh, the Ukrainian independence movement, and one of 111 Ukrainian Republic Party MPs in the nominally Communist party-controlled, 450-seat Ukrainian parliament.

Despite the Communist majority the republic's first freely elected parliament voted 355-4 on July 16 for full economic, political and military sovereignty, including an independent army and a national currency, banking and economic system.

In an interview Mr Horyn forecast fierce political battles ahead. He recognised the importance of the Russian parliament's decision to opt for its own sovereign rights but questioned Mr Yeltsin's assertion that Russia has impoverished itself by ministering to the outlying provinces.

"The Soviet empire brought all the republics to the point of economic, political and cultural collapse. The striving for independence is dictated in the first instance by economic factors. Living standards will rise only when each republic, including Russia and the Ukraine, become independent," he says.

Mr Horyn, echoing concern already expressed in the Baltic states and elsewhere, fiercely criticised the thinking behind the new Soviet Treaty of Union being prepared by Mr Gorbachev and the Russian president.

"Yeltsin believes that the Russian Federation can be sovereign while at the same time delegating crucial functions like defence, foreign policy, communications and finance, including a common Soviet currency, to a central Government. We believe that to take these functions from the republics means to create a new empire with a new facade."

Pointing to a map of Soviet resource distribution, Mr Horyn listed the resources which hitherto have kept the Ukraine's 52m people under the tightest control of the KGB and Moscow.

"Up to now the centre took from us manganese, sugar, grain and other products and we had no idea what they were worth. What is more, 95 per cent of the Ukraine's industries – the iron and steel mills, the coal mines and so on – are run from Moscow not Kiev and their output disappears into the military industrial complex. Once we have our own market economy we will know the value of what we produce. We could trade grain and other products for oil from Russia, or import it through Odessa from the Middle East if that is cheaper."

The economic argument for breaking up the centrally controlled system inherited from Stalin appears to lie behind support for independence, even in the heavily Russianized eastern Ukraine where the bulk of mining and heavy industry is concentrated in the Donbas area.

With an indefensible border running more than a thousand miles through the rich black earth zone shared with southern Russia, non-ethnic Ukrainians also know that an independent Ukraine would have to develop the kind of relationship with Moscow that Canada, itself heavily populated with Ukrainian immigrants, enjoys with the US.

Conversion to a market related system is likely to be traumatic under any regime. After decades of low investment, the Ukraine has become an industrial rustbelt, with high and rising fatality rates in the mines and appalling air, water and soil pollution.

Revulsion against pollution has created a strong environmental movement. Its appeal became virtually universal in the aftermath of the 1986 Chernobyl nuclear disaster.

Those with a longer historical perspective, like Mr Horyn, remember the millions killed in Stalin's artificial famines, the dissolution of the Ukrainian Uniate Church, and Moscow's systematic repression of the Ukrainian language and culture. For them the concentration of dangerous nuclear reactors in the republic was the last manifestation of subjection to centralised power which they are now determined to end.

UK NEWS

UK unions back Labour's revised employment policy

By John Gapper, Labour Editor

THE opposition Labour Party last night welcomed a clear vote by Britain's annual Trades Union Congress to back strict limits on secondary industrial action, and a new framework of employment law. Labour's revised policy was endorsed in spite of spirited left-wing criticism.

Mr Tony Blair, Labour's employment spokesman, said the overwhelming vote at the Blackpool Congress would allow unions and the party to "lay to rest" past controversies and develop new policies giving new rights to people at work.

A move by left-wing unions to oppose parts of Labour's new policy was defeated by 4.4m votes to 3.5m although there was loud applause when TUC leaders were accused of betraying past tradition to guarantee Labour electoral popularity.

A Labour government would now guarantee compulsory ballots before industrial action and for the election of union officials. It would confine secondary industrial action to cases where the workers have a direct interest in the first dispute.

Labour leaders believed it was important to gain the clear backing of unions to make the policy credible. Mr Michael Howard, Employment Secretary, yesterday accused Labour of camouflaging its true intentions on labour law.

Mr Neil Kinnock, Labour leader, is to address the Congress today and is expected to emphasise that unions would not be able to expect favours from a Labour government.

A motion moved by the National Communications Union backing Labour's policy was passed overwhelmingly on a show of hands. A second motion from the Nalgo public service union conflicting with parts of it was defeated by 4.4m to 3.5m.

Congress backs membership campaign

THE DECLINE in trade union membership is running at far too high a level, Mr Norman Willis, TUC general secretary, told the congress, writes Mike Smith.

Last year TUC-affiliated unions lost 2.7 per cent of their total membership, leaving 8.4m members. Mr Willis said this decline was far too much.

"Recruiting new members and retaining existing members must be at the heart of the work of unions and the TUC," he said.

Mr Willis was successfully proposing acceptance of the TUC general council's report on the work of the special review body on promoting trade unionism.

Mr Willis said TUC research showed that 3m to 4m non-unionists existed where unions already had recognition from employers. The pilot recruitment schemes had shown that progress could be made and 1,000 members had been gained in Trafford Park.

Mr Willis said in Manchester and London Docklands the unions had worked well together, they had agreed on targets and agreed to keep out of those places allocated to other unions.

Mr Bill Morris, deputy general secretary of the TGWU general union, said the review body had encouraged unions to improve their structures for women, black people, young people and the disabled.

Manufacturers win new orders worth $13bn

By Paul Abrahams in Farnborough and John Ridding in Seoul

ORDERS for aircraft worth more than $13bn (£6.87bn) were announced yesterday at the Britain's Farnborough air show by Boeing, McDonnell Douglas and Airbus, the world's three largest airframe manufacturers.

The largest order was for Asiana, the recently formed South Korean carrier owned by Kumho. Asiana said it was buying 27 aircraft from Boeing, the Seattle-based manufacturer, and had acquired options for 24 more jets in a deal worth almost $6bn.

The Korean airline has ordered six 747-400 combined passenger and freight aircraft with options for a further six jets, as well as three 747-400 dedicated freight aircraft with options for three more.

The carrier also announced orders for 10 767-300 aircraft with options on a further eight, as well as orders for eight 737-400 aircraft with options for seven more. Asiana said it would select the engine supplier for the 747s and 767s later.

The 737s will be powered by CFM56-3 power plants supplied by General Electric of the US and Snecma of France.

Asiana, which started international flights with its service to Japan in January this year, plans to expand its network to other Asian countries this winter and to the US in autumn 1991. It now has a fleet of 12 Boeing 737s.

Record breaker: The Soviet Antonov AN 225, the world's largest aircraft, flies over a village close to Farnborough, the air base hosting Britain's commercial air show

Meanwhile, Northwest Airlines, the US carrier, yesterday announced it had confirmed options for 75 Airbus A320 aircraft and had acquired options for 30 A321s in a deal worth $4.6bn.

The airline, which is the largest customer of Airbus, said it would be operating as many as 100 Airbus aircraft by 1995 and 170 by the end of the decade.

The jets ordered yesterday would be delivered after 1996, Northwest added.

It was also announced that Ansett, the Australian airline, had signed a contract with Airbus for 10 A321s in a $350m deal.

GPA, the leasing company based in Shannon, Ireland, yesterday announced orders for as many as 25 MD11 long-haul jets from McDonnell Douglas. The value of the deal is estimated at $2.5bn.

Mr Tony Ryan, GPA chairman and chief executive, said he continued to believe the long-haul market would grow at about 7 per cent per year and that the MD11 aircraft would form an important element in his company's portfolio.

The test and certification programme for the MD11, which made its maiden flight in January this year, is on schedule for completion by October 31, according to McDonnell Douglas.

The order includes firm orders for 13 aircraft and options on 12 more for delivery between 1995 and 1999.

GPA was a launch customer for the 400-passenger wide-bodied MD-11 in December 1986.

● Two of the seven British Airways Boeing 767s taken out of service after minor cracks were found are flying again following repairs, the airline has stated.

BA said it was hoping to have all seven back in service by the end of the week.

The aircraft were taken out of service for checking after routine maintenance uncovered a slight crack on the pylon, or strut, connecting the engine to the wing of one aircraft. Similar minor cracking was discovered in five of the remaining six aircraft.

Boeing structural engineers have assisted with the repair work. The snag was unique to BA, which is the only airline to have 767s powered by Rolls-Royce jet engines.

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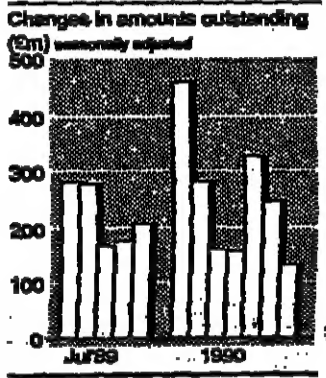
British appetite for consumers credit eases

By Peter Norman, Economics Correspondent

Consumer borrowing

Changes in amounts outstanding (£m) seasonally adjusted



THE British consumer's appetite for credit eased in July but an upward revision to that month's retail sales again has raised questions about whether the Government's counter inflation policy is biting sufficiently.

Among a mixed bag of figures from the Central Statistical Office yesterday, the amount outstanding of consumer credit borrowed from finance houses, building societies and on bank credit cards increased by £133m in July compared with £242m in June and a monthly average of £300m in the first quarter of this year. But revised figures for retail sales in July showed a 1.4 per cent increase in volume from June compared with last month's provisional 1 per cent.

In assessing the two reports – one of which pointed to a continuing slowdown in the economy and the other to buoyancy of retail sales – City of London economists generally put greater weight on the credit statistics.

These showed that new consumer credit advanced by the finance houses and other lending groups increased to £3.91bn in July from June's £3.72bn total and a monthly average of £3.8bn in the first half of this year. But the slow growth in the total credit outstanding to £28.53bn in July from £28.39bn in June indicated that borrowers were also paying back credit more quickly.

By contrast, the upward revision in retail sales volumes came as a surprise to the City. Mr Simon Briscoe, an economist with Greenwell Montagu Gilt-Edged, suggested that the 1.4 per cent jump in the volume index to 124.1 (1985=100) in July after a 2.6 per cent fall to 122.4 in June could reflect problems with the CSO's seasonal adjustments.

The CSO said that the best indication of recent trends normally came from comparing seasonally adjusted figures for the latest three months compared with the previous three-month period.

Those show that retail sales increased by only 0.2 per cent in the three months to July.

Treasury officials said that the three months' figures showed that UK retail sales growth was slow. Combined with other indicators, the figures showed that the government's policy was having its desired effect, they said.

They warned that Mr John Major, the Chancellor, would not want – through a premature reduction in interest rates – to throw away the counter-inflationary gains achieved through the slowdown in the economy.

Opposition tries to stop steel mill closure

By James Buxton, Scottish Correspondent

LABOUR, the UK opposition party, yesterday launched moves to press the Government to avert the closure of British Steel's Ravenscraig hot strip mill in Lanarkshire, Scotland.

Senior party spokesmen wrote to Sir Geoffrey Howe, Leader of the Commons, asking him to reconstitute the cross-party committee on Scottish affairs to investigate the strip mill closure.

They also asked Mr Peter Lilley, Trade and Industry Secretary, to act on promises they say were given by Mr Nicholas Ridley, his predecessor.

British Steel said in May it would close that part of the Ravenscraig complex early next year to concentrate steel strip production in Wales.

Opponents of the decision, who come from all political parties in Scotland, have made little headway.

Mr Gordon Brown, opposition spokesman for trade and industry and Mr Donald Dewar the party's spokesman on Scottish affairs, believe there may be all-party support for an investigation by the committee, which would have power to demand information from British Steel.

The committee has not been set up in the present Parliament because two Scottish Conservative MPs have refused to serve on it, but Mr Dewar says all Scottish Tory MPs are opposed to the closure of the strip mill. He says Labour would play its part in a one-off committee investigation into the closure.

The Labour politicians have also asked Mr Lilley what his department is doing to prevent the closure. They say Mr Ridley promised them in a private meeting two months ago to back Scottish Office efforts to prevent the closure.

"We have asked the Secretary of State for Trade to meet British Steel to call for a change in policy," Mr Dewar said yesterday.

The two Labour MPs are asking the Government what surveys have been commissioned into the position of the British steel industry, what efforts have been made to consider whether the Monopolies and Mergers Commission should investigate the industry on competition grounds, and for information on steel imports and exports.

The main government action over Ravenscraig so far has been the ordering by Mr Malcolm Rifkind, Scottish Secretary, of a Scottish Development Agency study of the entire Scottish steel industry and its prospects.

The agency is expected to appoint consultants to carry out the study by the middle of this month.

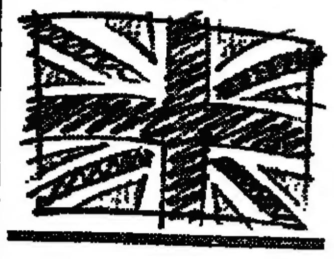
● Norfrost, the private company based in Caithness, northern Scotland, which is a big manufacturer of chest freezers, is to invest £7.3m on increasing its production capacity by 60 per cent.

Norfrost claims to have 90 per cent of the UK market for small chest freezers. About 75 per cent of Norfrost's output is exported.

The expansion project, which will last three years, involves upgrading the production line at Castletown, near Thurso, and building a new factory to boost weekly output 8,000 freezers.

UK NEWS

BRITAIN IN BRIEF



Banks warn of finance difficulties

The chairmen of the "Big Four" UK banks have privately warned the Bank of England that they believe it is becoming more difficult to organise financing to help companies overcome temporary pressures.

The UK banks pointed to a recent incident in which moves to shore up Laura Ashley, the home furnishings company, nearly broke down with potentially disastrous consequences after Credit Lyonnais and Bank of America insisted on stiffer conditions than those of the other banks.

The chairman have told the Bank of England at an unofficial meeting that the growing role of foreign banks in London is making rescue operations more difficult in the present market downturn than it was in the early 1980s.

Teachers at a premium

Teacher shortages in English and Welsh schools have increased in the last year, partly because of an increase in the number of those resigning from the profession, according to a survey published by the opposition Labour Party yesterday.

The survey, of 30 local education authorities in England and Wales, showed an increase to about 6,500 in the estimated total of unfilled vacancies.

Mr Jack Straw, the Labour Education spokesman, said the main problem remained the high drop-out rate of qualified teachers.

Mr Straw said Labour would improve morale by introducing a series of measures including more support for newly-qualified teachers and a national core curriculum for teacher training.

Straw: to boost morale

Incentives for film industry

A top level British film industry committee has reached agreement on a package of financial incentives designed to boost the industry which last year reached an all-time low.

The committee will tell both the Department of Trade and Industry and the Treasury later this month that it wants fiscal to give tax concessions to private investors; cut costs to film producers; and reduce the withholding tax on foreign actors which makes it less attractive to make movies in the UK.

Protest at French action

Leaders of Britain's meat industry yesterday joined farmers to protest to the French embassy over the "blockade" of cross-Channel exports.

Officials from the Meat and Livestock Commission met the French envoy to London to call for action against farmers who have vowed to halt British meat shipments. Mr Patrick Barrow, Meat and Livestock Commission spokesman, said UK meat exports worth £7m a week were at risk.

"It is a blockade, and not only is it completely illegal to attack lorry-loads of British sheep, but it is also completely against the spirit of the Common Market," he said.

Around 100 Welsh farmers also lobbied the French embassy in protest at their losses from attacks on lorries at roadblocks manned by French farmers, who say they face bankruptcy because of a drought and a collapse in sheep and beef prices.

Nissan chief awarded knighthood

The head of Nissan, the Japanese car manufacturer, is to receive an honorary knighthood from Queen Elizabeth II. Mr Takashi Ishihara, pictured above, will become an Honorary Knight Commander of the Most Excellent Order of the British Empire, the highest honour the Queen can bestow on an individual from outside the Commonwealth. The award marks Mr Ishihara's contributions to economic relations between Britain and Japan. Nissan became the first Japanese company to produce cars in Britain for the European market when it set up a factory in Washington, north east England, in 1984. Observer, Page 18

Protest over US jet case

One hundred peace campaigners staged a protest today at the start of the trial of two men accused of causing nearly £250,000 damage to a fighter bomber at an American air-base.

They marched through the centre of Oxford displaying banners attacking the possession of nuclear weapons and calling for their destruction.

Stephen Hancock and Michael Hutchinson were accused at Oxford Crown Court of unlawfully damaging the F111 aircraft at the base at Upper Heyford, in Oxfordshire.

Train driver sentenced

A train driver who went through a red light causing a crash in which five people died and 87 were injured was jailed for 18 months for manslaughter yesterday, 12 months of the sentence suspended.

Robert Morgan, 47, of Ferring, West Sussex, admitted two manslaughter charges at the Old Bailey arising from the "devastating" crash at Purley, south London, on March 4 last year.

He pleaded guilty to unlawfully killing Mr Colin Clark, of West Sussex, and Mr Eric Simper, of Worthing. Three also died when the Littlehampton to London express train which Morgan was driving crashed into the back of another passenger train travelling from Horsham to Victoria station just outside Purley, south of London.

Seacat runs into problems

The biggest of the new generation of wave-piercing catamarans entering service on cross-channel ferry routes has had to be withdrawn for repairs after just three weeks because of technical problems.

Hoverspeed, operator of the £10m SeaCat-class catamaran Hoverspeed Great Britain, said the vessel had been unable to reach its full speed of around 40 knots on Sunday and had been taken out of service.

The cause of the problem was not known, but Hoverspeed said the vessel would go into dry dock in Cherbourg, France, today so that engineers could carry out an investigation.

هكذا من الأصل

How much longer can the world afford to be power mad?

No-one, being of sound mind, consciously sets out to waste scarce natural resources.

For instance, who leaves a heating system on full during the hottest days of summer? Or a car engine running 24 hours a day, even when it's parked?

But although it's been no deliberate act of global vandalism, industry for decades has been deriving the power it needs from the fuel it burns but in the process has been allowing 50% of it to go up in smoke.

In economic terms alone it isn't very sensible, and in terms of wastage it's alarming. In terms of global damage, it's positively frightening.

That's why, in the UK for example, BP Energy is already converting industry to the benefits of Combined Heat and Power.

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UK NEWS

Architect of telecoms privatisation argues for the extension of competition

BT urged to sell foreign division

By Hugo Dixon

BRITISH TELECOM, the national telephone network, should be forced to sell off its highly profitable international division, according to one of the architects of BT's privatisation in the mid-1980s.

It should also be made to reduce its stake in its cellular phones subsidiary to less than 25 per cent as a means of introducing more competition into the UK telecommunications market, says Mr Ian Ellison, former civil servant at the Department of Trade and Industry and now a director of Robert Fleming, the merchant bank.

In a submission to the department as part of its current review of the BT/Mercury Communications duopoly, Mr Ellison argues that the attempt to introduce more competition has not been an overwhelming success.

In his paper, to be published later this week, Mr Ellison, who was principal private secretary to Sir Keith Joseph, now Lord Joseph, when he decided to privatise BT, criticises BT for being obstructive towards competitors and says the current regulatory arrangements are over-restrictive in keeping out new rivals.

Mr Ellison pinpoints the fact that BT bundles up a range of telecommunications services – international, long distance and local calls – in a single package as the alleged source of its unfair advantage.

Rivals, which do not offer a comprehensive range of services, are unable to compete even-handedly.

To remedy these defects, Mr Ellison advocates a series of radical measures.

- BT should be forced to sell off its international division. This, he says, would remove cost subsidies between international and domestic calls and so help reduce the high level of international call charges.
- BT should be required to reduce its stake in Cellnet to below 25 per cent.

The paper argues that Cellnet has been a failure by comparison with its rival Racal-Vodafone and that its performance would improve if BT were not in charge.

- BT should be told to account separately for its local transmission, local switchings, long distance transmission and long distance switching businesses.

Each business should operate separately, dealing with competitors on the same basis as in-house businesses.

- BT should set up separate companies to retail its services to customers. The retailing businesses should operate separately from the businesses responsible for switching and transmission.
- The market for retailing telecommunications services should be opened up.

Unionists wary over discussions

By Our Belfast Correspondent

PRO-BRITISH Ulster Unionists yesterday warned Mr Peter Brooke, the Northern Ireland Secretary, they had no intention of "digging their own political grave" in a bid to start formal inter-party talks.

A strongly worded statement from Ulster Unionist Party headquarters in Belfast said they would not resume meetings with Mr Brooke as if nothing had happened in the past two months.

The statement is seen as a reminder of growing Unionist irritation at the lack of progress towards meaningful political negotiations. Mr Brooke is expected soon to outline his views on ways of advancing inter-party talks.

Unionist leaders Mr James Molyneux and the Reverend Ian Paisley said they needed to demonstrate "awareness of the dangers in engaging in further talks until Dublin's territorial claim and the Anglo-Irish Agreement are repudiated."

The timing of the Irish Government's input into formal talks has not been resolved and the obstacle prevented Mr Brooke from making a detailed statement on the way ahead before the British parliamentary recess in July.

Teenagers look overseas to escape tedium of London

By Alice Rawsthorn

THE DIRT and noise of London's streets, the high cost of living and the tedium of commuting mean that today's teenagers are more likely to want to work overseas than in their own capital city.

A new study by the Stapleford Partnership, a research consultancy specialising in corporate issues, suggests that Britain's 18-year olds have high expectations of their working lives.

Almost all the 1,493 teenagers interviewed for the study were looking forward to going out into the workplace. After all, the legacy of the falling birthrate in the early 1970s means there are now relatively few school leavers entering the jobs market so the sixth formers of today will be sought after by prospective employers.

As a result they expect employers to provide interesting jobs with good pay and a range of opportunities, including working outside the UK.

Most of the sample, around 47 per cent, wanted to work near home mainly because they liked the area and did not want to leave their friends.

Fewer than 15 per cent wanted to work in London. They were deterred by the the high cost of living in the capital and the drudgery of commuting.

By contrast a high proportion of respondents – roughly 40 per cent – said they would like the chance of working overseas, particularly in Europe.

The teenagers wanted good salaries, independence, and to lead fulfilling lives outside their work.

They were also keen on financial benefits such as pensions, private health insurance and help with buying housing.

"Thatcher's Children: What 16-18 year olds want from their working lives" from The Stapleford Partnership, 6 West Street, Wilton, Wiltshire SP2 0DF.

Campaign to publicise student loans

By Richard Evans

AN ADVERTISING campaign to alert 500,000 students of their right to a government-funded loan of up to £460 a year was launched in London yesterday.

The £350,000 campaign, run by the Student Loans Company, an organisation owned by the government, is expected to attract about 85 per cent of eligible students in the UK.

The top-up loans must be repaid once the student starts full-time employment, with a normal repayment period of five years.

Maximum loans will vary from £460 a year in London to £420 elsewhere, and £330 for students living at home.

The scheme has met stiff opposition from critics who claim it could put young people off higher education because of the prospect of accumulating debt.

The government's original proposals, published two years ago, provoked student anger, and high street banks withdrew from the scheme.

Five leading high street banks said last month that they would give interest-free overdrafts of up to £300 to students. This would be cheaper than the government's index-linked top-up loans.

MANAGEMENT: The Growing Business

'The best cash to use is self-generated'

Charles Batchelor on the benefits of eschewing bank borrowings

Chris Farnell, finance director of BTH Industries, a Wakefield, West Yorkshire manufacturer of portable buildings, can take a fairly relaxed view of present high interest rates. Unlike many of its competitors, which are struggling to meet the interest charges on their loans and overdrafts, BTH has no bank borrowings.

There is nothing very unusual about that – National Westminster Bank, for example, calculates that the accounts of half its business customers are in surplus at any one time – but BTH has *never* borrowed from its bank or used an overdraft facility in its 20-year history.

From its foundation in 1970 with £400 of the savings of Farnell and his two fellow directors, BTH has grown to a company with £3.6m of sales (projected to rise to £5.5m in 1990) and a workforce of nearly 100 people. It claims it is number two in the UK market for the pre-fabricated buildings typically used for accommodation and the secure storage of equipment on building sites.

Small business owners are well known for their reluctance to allow outsiders an equity stake. But businesses which refuse to let even the bank manager take a hand in their affairs are less common.

When interest rates are low and finance is relatively cheap such an attitude might appear eccentric. But with base rate at 15 per cent and many smaller companies paying three or four percentage points on top of that for their money, giving the bank manager the brush-off appears to make much more sense.

"The best cash to use in the business is the cash you generate yourself," says Catherine Gurling, director of enterprise programmes at the London Business School.

"When I see bank managers get nervous with business friends of mine who run solid companies with a 15-year track record I have no doubts that I am better off without the banks," comments Desmond Donohue, founder of Donprint Label Systems, an East Kilbride, Scotland-based supplier of permanent labels used on electronic equipment and household appliances.

Donprint, which was set up in 1980, made do without bank finance for the first 7½ years and only relaxed this self-denying ordinance when the costs began to rise of developing a labelling system to match airline passengers and their luggage on which it was working. This project is now in the process of being spun off into a separate company, after which Donprint will once again be able to fund its UK business entirely from its own resources.

But why should business-people refuse to use bank finance when a bank loan is the most natural method of funding growth and the banks are falling over themselves to expand their share of the small business market? Dissatisfaction with the banks does not appear to be a motive and all the companies contacted for this article had bank accounts.

"I don't think it even occurred to us to borrow," says Chris Farnell, like his two co-founders an engineer by training. "We were in our early 20s and commercially naive. We were reluctant to get into debt." "It goes back to my Dad who never believed in borrowing," explains Donohue, who now runs a business with turnover of £3.6m and a workforce of 56. "I have tried to follow that through."

Once they had got their businesses up and running without the help of bank borrowings they simply continued to operate in a way they felt comfortable with. Not having to worry about paying off a bank loan makes for a better quality of life, comments Farnell. "We can all sleep more easily at night whereas a lot of our competitors are struggling with the building industry recession and high interest repayments."

The main disadvantage of doing without bank finance is that the business may have to grow more slowly. Farnell estimates that BTH has lagged two years behind the rate of growth it would have achieved had it used bank borrowings. "Over the past 10 years we have been constrained by production capacity rather than by sales capacity," he notes.

Despite its self-imposed financial constraints, BTH moved into a new factory three years ago and has since doubled the size of its premises using its own cash resources. It has, however, had to watch competitors snatch parts of the portable building market. Farnell says he is not too worried by this since BTH aims to sell on quality rather than maximise its market share.

Refraining from using bank money need not, however, prevent a business from achieving respectable rates of growth. Donohue says he has never calculated where his company might have been if bank finance had been used but an annual growth rate in recent years of 55 per cent of both sales and profits is still an impressive performance.

What sort of business is able to manage without the help of outside finance? Conventional wisdom would suggest that service businesses which do not need to invest in expensive equipment and stocks are most likely to be able to dispense with bank finance.

David Smith, founder and managing director of Spice, a Manchester-based company which arranges leisure and social activities for its 1,000 members, has built up his business with only one small loan – to buy a car – in the past nine years. Even this loan was only necessary because Smith felt reluctant to use pre-paid membership fees to fund such a purchase in the early stages of the business.

Membership fees and the deposits which Smith insists members put down for skiing trips, hot air ballooning and other events he organises mean Spice has a healthy cash-flow. Spice has turnover of £260,000, employs two full-time staff and two part-timers and has established a further six franchised offshoots.

But as both BTH and Donprint demonstrate, manufacturing businesses can also get by without bank lending. To achieve this, though, they must be capable of making a very good margin on sales and must be sparing in their capital outlays in the early stages.

Farnell and his two partners originally intended BTH to be a tool-making business but found the equipment costs too high. A customer made an offer to buy a trailer that BTH had made for its own use so the company moved into trailer manufacturer, switching again later into steel prefabricated buildings. Desmond Donohue started with second-hand label-printing equipment, selling during the day and printing at night for the first year or so before he could afford to buy new machinery.

Donohue agrees that high margins are essential if a company is to be self-sufficient financially but points out that high margins are themselves the result of low-cost, efficient manufacturing methods. The company must also concentrate its resources on developing a niche market where it can build a strong position and demand premium prices for its products.

However, there are limits to the extent to which a business can avoid calling in outside finance. Donprint is expanding in continental Europe and the US and it is unlikely that this can be funded internally. Donohue is not keen to finance this expansion with bank loans and plans to make use of equity investors who, he says, will take a longer-term view.

High technology markets which require large investments and which offer only a very small window of opportunity before competitors muscle in are unlikely to give businesses the leeway to develop at less than maximum speed. And even in low or no-technology areas the pace of new product development is speeding up, leaving fewer opportunities for companies to take their time.

But more important than the industry sector or the degree of technology involved are the businessperson's own ambitions. "If you are not aiming for explosive growth which will take you quickly to the Unlisted Securities Market but are prepared to grow your business like an oak tree the chances are you can achieve that with your own cash," comments Catherine Gurling.

Even those businesspeople with plans for rapid growth might benefit from a more cautious approach to finance. Many of the high-flying businesses of the 1980s have come to grief over the past 18 months as a combination of high interest rates and falling property values have undermined their balance sheets.

"We might have been bigger if we had borrowed from the bank," says BTH's Chris Farnell. "But then again we might have been bust."

Chris Farnell: "We might have been bigger — or bust"

No invitations to Henley

Charles Batchelor points to some danger signals

When suppliers start asking for cash on delivery or your bank manager refuses to extend your overdraft limit without an accountant's review of your finances you know you are in trouble. There are, however, other, less obvious, warning signs of impending disaster, according to Hew Dalrymple, a member of the turnaround team at accountants Peat Marwick McLintock.

Danger signals include:

- An unexplained rise in the the number of staff off sick which indicates poor morale and lack of leadership from management.
- Office copies of the national newspapers start losing their appointments pages. Staff are clipping the ads to look for new jobs. (This may also explain the increase in staff "sick leave." People are taking time off for job interviews.)
- A favourite customer stops sending you your annual invitation to Wimbledon or Henley. He has been buying less from you of late so there is less need for these informal contacts.
- Your stand at the annual trade fair attracts few visitors. Something is wrong with your marketing.
- Extra warehouse space is needed to store unsold stock. Your marketing is in even bigger trouble than you thought it was.
- The managing director's wife is appointed public relations officer or made head buyer. Personal judgments are replacing managerial professionalism.
- The new computer "crashes" losing 10 years of customer information. The company has failed to master technology.

When the company finally does go under often the only person who is surprised is the managing director himself, comments Dalrymple.

All these are real examples of mistakes which have been made by companies which needed the help of turnaround specialists, he says.

Profiting from a good read

By Charles Batchelor

Several studies have shown that the average small business owner is not a keen book-reader, preferring to obtain most of his information from family, friends and bank manager than from the printed page. If this is the case the publishers of guides, manuals and hand-books for the small business market do not appear to have noticed. They continue to produce a broad range of books devoted to the management problems confronting the smaller firm.

For many business owners one of the first decisions will be on the legal form of their business. Many start as sole traders or in partnership while others opt for limited company status. In Forming a Limited Company *(141 pages, £7.99, Kogan Page)*, Patricia Clayton outlines the advantages of this form – limited liability, protection for the company name, greater flexibility over borrowings. The role of directors and their powers; conducting board meetings; and if the worst comes to the worst, how to handle insolvency are explained with a minimum of legal jargon.

For businesses which are several stages further on, How to Write a Staff Manual *(54 pages, £4.99, Kogan Page)* provides a concise guide for the company which needs to formalise its personnel policy. If a business has lost good staff because of misunderstandings over its policies; if employees have complained because critical employee issues were not handled properly; or if the treatment of employees differs from one department to another you need a staff manual, suggest the authors, Susan Brock and Sally Cabbell.

The information contained in the manual may be mundane but it is important that it is written in an interesting fashion or it will go into desk drawers unread. One company even produced its manual in comic form. Managers were sceptical at first but then found employees actually followed policy for the first time.

For companies which are preparing for the creation of the single European market, 1992 Eurospeak Explained *(158 pages, £5.95, Rosters)* provides a handy guide to the workings of the European Community and an explanation of more than 500 European terms.

The book contains a useful chapter on how to lobby in Brussels but some readers may find Stephen Crampton's glossary too perfunctory.

The old-established publishers of small business manuals have been joined in recent years by the banks, which are keen to raise their profile in this segment of the market. Barclays is the latest to show an interest with a series of four books covering Financial Management for the Small Business, Marketing, International Trade and Computing *(£5.95 each, Basil Blackwell)*.

Marketing and production matters will be the prime concern of the small business owner but he or she must also be aware of how much cash is in the bank and how much he is owed by customers or to suppliers, writes Peter Wilson in the volume devoted to financial management.

Financial management is less concerned with producing accurate numbers than with making profits and reducing risks. Business procedures and financial controls are only a means of ensuring stability in an uncertain and frequently hostile market place, he explains.

National Westminster Bank has also added to its Small Business Bookshelf series with volumes devoted to Small Business Finance and Managing Growth *(£5.95 each, Pitman)*. Many small business owners frequently do not know whether they are making a profit or a loss; they dislike and avoid their bank manager; and believe that accountants overcharge, suggest John Lambden and David Targett, authors of the finance volume.

These people tend to believe their main purpose is to make widgets rather than make profits. They are among those who could benefit most from the advice contained in the growing bookshelf of small business books.

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David Gilbert F.C.A. and Maurice Moses A.C.A., Levy Gee and Partners, 100 Chalk Farm Road, London NW1 8EH. Telephone: 071-267 4477 Fax: 071-267 1028

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Joint Administrative Receivers

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For details, contact Chris Donald or Nicola MacLauchlan at the offices of Smith & Williamson, No. 1 Riding House Street, London W1A 3AS. Telephone: 071-637-5377. Fax: 071-323-2714.

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The Joint Administrative Receivers offer for sale as a going concern the business and assets of this well-established motor car main dealer in Salisbury, Wiltshire.

Principal features of the business are:

- 6 years' trading as Citroën main dealer
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Full details may be obtained from the Joint Administrative Receiver: John Dare

KPMG Peat Marwick Corporate Recovery
Dukes Keep, Marsh Lane, Southampton, SO1 1EX.
Tel: 0703 631465. Fax: 0703 223547.

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Principal features include:

- Turnover of £8 million p.a.
- Leasehold premises 40,000 sq. ft.
- 60 employees

For further details please contact the Joint Administrative Receivers: Myles Halley or Ian Chisholm.

KPMG Peat Marwick Corporate Recovery
Arlen House, Salisbury Road, Leicester, LE1 7QS
Tel: 0533 471122 Fax: 0533 547626

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For further information please contact A M Grove at Cork Gully, Mayflower House, 178-184 Armada Way, Plymouth, PL1 1LD. Tel: 0752-668888. Fax: 0752-604108.

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Cork Gully

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هكذا من الأصل

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Michael J Mullcroney
819 436 7879
Fax 519 673 [illegible]

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Fax 515 357 5644

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For further information, please contact the Joint Administrative Receivers, A. G. Pearce and G. Ord, Ernst & Young, P.O. Box 1, 3 Colmore Row, Birmingham B3 2DB. Tel: 021-626 6262. Fax: 021-626 6363.

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For further details please contact Grant Jones at

Booth White
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- Prestigious customers
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For further details please contact the Joint Administrative Receivers:
Allan Griffiths or
David G. Rowlands,
Grant Thornton,
43 Queen Square,
Bristol BS1 4QR.
Tel:0272 268901
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By Order of the Joint Administrative Receivers
T J Roper FIPA and J Taylor FIPA of Poppleton & Appleby
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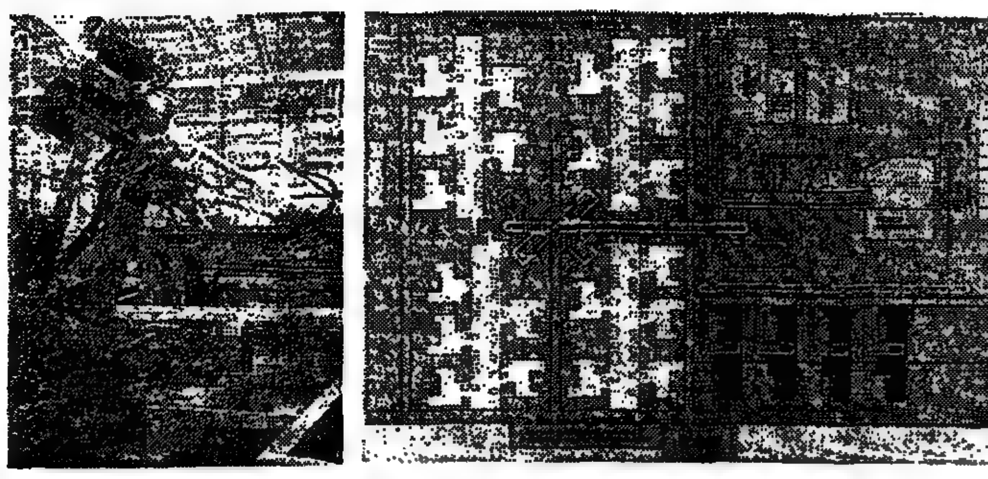
TECHNOLOGY

Nick Garnett reports on Rockwell Maudslay's investment in contract manufacturing

The benefits of a flexible attitude



A robot at work in Rockwell Maudslay's advanced manufacturing facility

In the unlikely setting of a pretty hamlet north of Stratford-upon-Avon, the upside and downside of two new themes in modern manufacturing are being played out.

Alongside the stone and half-timbered houses of Great Alne, the Maudslay division of Rockwell Automotive, part of the US Rockwell group, has a large conventional production plant making truck components.

In one 60,000 square foot area of this plant, however, is a modern facility for making passenger car front axle stubs for Ford of America. It is this facility which demonstrates new concepts of production which will almost certainly become more prevalent in industry.

The facility is an example of what is called contract manufacturing. This refers to a new type of relationship between component makers and original equipment manufacturers (OEMs). In this relationship, the component producer gives up part or all of its production unit to the dedicated manufacture of a component for the OEM.

In this case the whole of the new facility at Rockwell Maudslay has been given over to making part of the front suspension for the US-made Lincoln Town Car and the Mercury Marquis in a deal that will probably last about five years. During that period the new machining shop will be largely dedicated to producing up to 750,000 front axle stubs per year.

The other interesting, perhaps controversial, aspect of this plant is that, after a great deal of internal debate, Rockwell Maudslay decided to invest in flexible manufacturing machinery rather than the less flexible but considerably cheaper type of equipment known as transfer lines. A transfer line is a collection of large, powerful and rigid machines which pass the component from one machining operation to another.

Flexible manufacturing machinery, which can be made to produce many variations of components mainly by changing computer software, is more associated with producing components of varying design. In the case of Rockwell Maudslay, however, this machinery will be used largely to produce just one component.

Peter Lowe, Rockwell Automotive's manufacturing director, readily concedes that the company would have been able to produce the stub axle more cheaply using transfer line technology. He says such technology would have cost perhaps one quarter less than the £12.5m Rockwell has invested in the new flexible facility.

But Rockwell sees great advantages in a more flexible system, the worth of which it believes will come into its own in the second five years of its life. That will be when the facility is required to cope with a new design of stub axle. Alternatively, if Ford decides not to renew the deal — for which a formal contract has yet to be signed — the flexible facility will have to be turned over to making some other product.

Production machines have an efficiency obsolescence of anything from 10 to 15 years, so Rockwell is looking to the flexible system to be manufacturing considerably more cheaply than a transfer line during its second five years of operation. To produce a new component usually requires the complete replacement of large chuncks of a transfer line but not so a flexible plant. "It is going to overtake the transfer line in the second period because we are looking to fully depreciate all the plant over five years," says Lowe.

"So, from year six, we have got a free plant for the next project. If we fully depreciated the transfer line over five years, then in year six, we would also have a paid-for transfer line but one that we couldn't do much with in later years without a lot of surgery. So that is really where we are looking to score. The flexible system will be very cost effective from that point."

Rockwell says the flexible system has already allowed it to cope with a series of design changes made by Ford during the 18-month period Rockwell put the new facility together. Apart from that, Rockwell says it also felt more comfortable adopting a modern manufacturing concept than with sticking to the old.

One gamble is that Rockwell's equations on cost and flexibility will prove correct. Another is that the many teething troubles which are associated with flexible manufacturing — and which Rockwell is experiencing — will be overcome quickly.

The facility incorporates eight Matrix Churchill lathes in four cells, two DeVlieg vertical machining centres, 20 FMT machining centres grouped in four independent cells and four Cincinnati milling machines. A PC-controlled conveyer system made by Ewab of West Germany transports individual work pieces to the various machining stations within the facility. Each stub axle forging, which is about one foot wide, is carried on an individual pallet. Automatically controlled gantries load most of the machines.

Each of the FMT machine tools is served by an automatic transporter which carries the tombstones — the large metal blocks which hold the component during machining. Four Cincinnati robots deburr the final machined components. A centralised processing system for supplying cutting fluid feeds every machine tool. Swarf and cutting fluid from the machines are returned through underfloor ducts to the processing unit where the swarf is separated and the coolant filtered before re-use.

A component-marking machine using a laser cutter identifies each component with serial and batch numbers and production date. Some of the tolerance measuring is done automatically.

There is one major cost advantage for Rockwell Maudslay in having a flexible facility for contract rather than non-contract manufacturing. Because it is dedicated to making one basic component designed elsewhere there is no need to have a large centralised host computer running the whole system. The only centralised computer function runs the conveyor system and the way that links up with the machine tools.

In some other respects the facility is not that advanced. Pre-machined forgings are loaded on to the conveyer system by hand. Fixture blocks are loaded manually for the FMT machines. The central store for replenishing used cutting tools is not computer linked to the cutting machines. Storage of forgings and finished parts is done manually. Handling the component accounts for much of the labour force of 18 people on each shift. Says Lowe: "We have only got one component to put through the plant, therefore we do not need the sophistication of part scheduling and flow of parts."

The facility began limited production in March and is still operating at only between half and three-quarters of planned output. The scrap rate is running at 3-4 per cent and the company says this must come down to less than 1 per cent.

"We knew it was going to be horrendously complicated," Lowe says. "The machinery in itself has been fairly reliable, but the control systems tend to give problems and we have had some difficulties with the gantry operations, general material handling and with the fixtures. It's more of a mechanical problem than a software problem."

The handling link up between the conveyor and the machine tools is the biggest headache. "One of the things that tends to happen with the lathe cells is that the robot will pick up the forging but will fail to send a signal to the machine to say that it has done that. This is because of variations on the actual forging. The particular edge that it is trying to sense to see whether there is a forging there is a little further away than it expects and therefore it is saying 'I haven't picked up the part'. So it stops and waits for attention." Nevertheless, Lowe is confident of the plant's ability.

Ideally, Rockwell Maudslay would like to be making Ford stub axles for a long time. But Lowe believes that without too much difficulty the plant could be turned to producing a different automotive component though that would probably require the installation of a central host computer. It would also involve a considerable amount of re-training. Training machine operators to work in the new flexible production facility has cost Rockwell Maudslay £250,000.

Victorian meter meets its electronic match

Clive Cookson examines a new ultrasonic design

British Gas has chosen two ultrasonic meter designs to undergo field trials in the second stage of a programme to develop an entirely new type of domestic gas meter, no larger than a house brick, which can be linked electronically to home automation and remote reading systems.

Two very different companies are involved: FML, a subsidiary of Siemens, the giant German electrical group, based in Oldham, Manchester; and Gill Electronics, an independent electronic research and design company with 20 employees, based in Lymington, Hampshire.

FML is one of the four UK manufacturers of domestic electricity meters and sees the British Gas project as the basis of a move into the international market for gas meters. These would be made in Oldham and exported to Europe. The FML design originated from a Siemens ultrasound meter developed to measure the flow of hot water in German apartment blocks.

Gill Electronics has no manufacturing expertise. Michael Gill, managing director, says that if its design goes into full-scale production, another company would be brought in as a manufacturing partner.

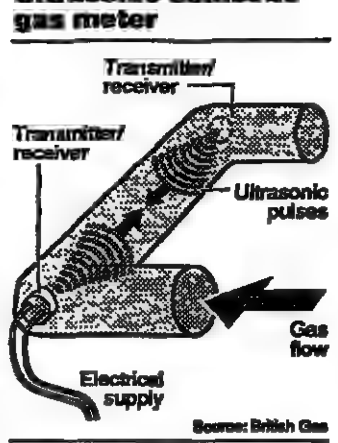
Both designs work on the same ultrasonic principle. They fire tiny pulses of high-frequency sound through the gas between two transducers, and deduce the speed of flow from the extent to which it changes the "time of flight" of the sound (see diagram). "Even though the basic principle is the same for the two designs, there are considerable differences in implementation and in the way the signals are processed," Gill says.

The new ultrasonic meters are powered by batteries with a 10-year working life. They have no moving parts, apart from the flow of the gas. Their designs are a great improvement on today's obtrusive mechanical gas meters, which use Victorian technology and measure the flow from the number of times the gas displaces a pair of diaphragms.

British Gas has been searching since 1987 for a brick-sized electronic meter. The aim is to have a modular design that will enable all components — including the meter, a governor to control the pressure, and the customer's control switch and electronic interface — to be brought together in a single unit.

Twenty-two companies from the UK and overseas submitted design proposals. They were reduced in 1988 to a short-list of five. British Gas evaluated these at a new meter testing facility at its Watson House Research Station in London. Engineers monitored their accuracy under a range of flow rates, temperatures and gas compositions, and assessed their reliability and resistance to contamination and external interference.

Ultrasonic domestic gas meter



Source: British Gas

British Gas plans to start field trials of the two successful designs in May 1991. Two hundred and fifty prototype meters will first be tested in the homes of British Gas staff alongside conventional meters. A much larger trial will begin in 1993, using 5,000 meters on their own. "We have an open mind on whether one or both designs will proceed on from the field trial," says Alan Sussex, assistant director of Watson House Research Station.

Full production is scheduled to start in 1995, when the new compact meter will become available to ordinary consumers. British Gas does not yet know how quickly its conventional meters will be phased out; they have a design life of 20 years and could therefore still be around well into the 21st century.

British Gas's choice of new electronic meters could bring industrial problems to its two existing suppliers of conventional meters, UGI (a Hanson subsidiary based in South London) and Schlumberger Industries Flow Measurement (based in Manchester), which together sell about 1m meters a year to British Gas at an estimated cost of £35 each. However, the company has told both manufacturers informally that if they use their own resources to develop satisfactory new-style meters, these will be considered for introduction in the late 1990s, alongside the FML and/or Gill designs.

An electronic meter designed by Schlumberger was one of the five short-listed in 1988. But British Gas ruled it out of the competition early this year when its development team failed to meet the deadline for the next stage of evaluation.

Keith Salt of Schlumberger says that his company is still working actively on the design, which is quite different in concept from the two ultrasonic meters. It uses the new technique of silicon engineering to produce a flow sensor one-tenth of a millimetre long within a silicon chip. A minute fraction of the gas flow is diverted through the sensor, where it deflects a tiny beam of silicon on a cantilever.

Salt says that the project was delayed by two factors. Engineering the microscopic silicon components turned out to be more difficult than expected. And the process was disrupted by last year's sale of Thorn EMI Flow Measurement, as it used to be, to Schlumberger, the French-American metering group; research work on the sensor had to be transfered from Thorn EMI's central laboratory in Hayes, Middlesex, to Schlumberger's research facility in Montrouge, France.

"We're very confident that ours is a good system," says Salt. "It's still an open race."

ARTS

Mrs Warren's Profession

CITIZENS THEATRE, GLASGOW

The Glasgow Citz opens the season with another exercise in the Emperor's New Clothes syndrome; or rather reversing it, since in any Citizens production the clothes are there sure enough – swish, sumptuous, sometimes suffocating the play – but it's the signs of life beneath that are all too frequently lacking.

This production of Shaw's playfully inverted morality about the oldest profession credits no designer. Evidently director Giles Havergal has taken to heart Shaw's belittling of the importance of scenery (quoted in the programme) – an astonishing turn-up in the Citizens' book. The stage's black-painted brick wall is lined with tables from which characters take their hats and props as they enter, and where they sit awaiting their cue to join the action. Paint-stained work-tables, white floor-cloth, a free-standing garden gate and a skeletal token door hinged on its detached frame, all evoke the feeling of a rehearsal – emphasised by the mixture of costumes (Mrs Warren's Edwardian skirts are surmounted by a modern top and Ann Mitchell's contemporary coiffure; young Frank sports jeans). The simplicity is slightly too studied. It takes the Citz to dismiss artifice and make the result look artificial.

Shavian dialectic poses problems for the traditional Glasgow approach: it eschews spectacular theatricality and requires the drama to be embodied in ideas entrusted to lucid and articulate acting – both elements opposed to the Citz house style. Luckily, of the directorial triumvirate Mr Havergal is the one who works best with actors; and he comes up with some robust and tough performances.

Miss Mitchell lapses into cockney when recounting the early struggles that led from the indignity of morally acceptable exploitation to the self-respect afforded by prostitution. Mrs Warren, you remember, is that archetype of the entrepreneurial spirit, the embodiment of the self-reliant profit motive, who has anticipated Britain's commercial entry into Europe with a chain of international brothels based (with clairvoyance) in Brussels. Like all satirists, from Swift to Brecht, from Modest Proposals to Deadly Sins, Shaw turns conventional morality on its head to reveal not just its hypocrisies but (even worse, in Shavian eyes) its illogicalities.

If this Mrs Warren lacks a light touch of mockery, she makes up for it with an updated sexiness, hand on hip, gliding across the stage, and a capacity for anger that startles: "Do you think I did what I did because I *liked* it?" she screams, rounding on her daughter as fury breaks through her rationalising. Over-emotionalism may be a cop-out in Shaw's ping-pong of ideas, but a good cast makes a case for a brisk modern attack. This includes keeping one's cool, which Debra Gillett's promising Vivie does a little too calmly at her mother's revelations. Tristram Wymark's young blade is in dashing form; the hint of caricature is kept at bay – in some cases not too safely – by the rest.

Martin Hoyle

British artists fly the flag in Japan

UK90 is a festival of the visual, applied and performing arts that over the coming months, under the auspices of the British Council, is bringing to Japan any number of exhibitions and performances by British artists and companies. Steven Campbell, for example, has already opened at the Marlborough Fine Art, and Bridget Riley at the Nishimura. But not all is contemporary: the Tokyo Metropolitan Museum has (until September 24) an exhibition of works of the *Edo* period, 1603 to 1854, drawn from the Japanese collections of the British Museum, largely unshown hitherto.

Coals to Newcastle indeed, and by the crowds engrossed in this celebration of their own culture, the gesture is infinitely appreciated. The show has nothing that is not exquisite – painted screens, lacquer boxes, netsuke, inro, ceramics, metalwork, paintings and prints from the time when Japan under the Shoguns was closed off from the outside world, an unimaginably remote and hermetic society. The selection of wood-block prints alone, by Utamaro, Hiroshige, Eizan, Kunisada and other masters, is a show in itself. The tantalising whisper is that we have yet to see the half of it.

Photograph of 'Carved Snow' by Andy Goldsworthy (courtesy of the Fabian Carlsson Gallery, London)

The British Museum is also sending out a selection of prime pieces from the broad range of its collections, first to the Setagaya Art Museum, a fine new building set in a park a little out from the centre of Tokyo (from October 20), and then on to Yamaguchi and Osaka. But the show now at Setagaya is the British Council's standard-bearer for UK90. *British Art Now: A Subjective View* (until October 7, then on to Fukuoka, Nagoya, Tochigi, Hyogo and Hiroshima: sponsored by Asahi Shimbun) fills the museum with the work of 16 British painters and sculptors, most of them well under 50.

The "subjective view" is that of Junichi Shioda, curator at Setagaya, who nominated the artists, though Jill Headley, of the British Council, chose the particular works. And whatever one might have to say about the resulting show, it is good that for once the responsibility is accepted directly, without apology or equivocation. The hard truth is that no such survey can ever be definitive, must always be essentially subjective, and there is no harm in coming clean. The point is to take an intelligent, open-minded interest and continue the general critical discussion.

Mr Shioda was much involved with the somewhat larger exhibition, *Aspects of British Art Today*, that the Council sent to Japan in 1982, in hope of introducing a broad range of contemporary British art to the Japanese public. This exercise is seen as supplement and continuation, with but one artist from the first show, the sculptor, Tony Cragg, whom some consider the outstanding British artist of the 1980s, to make the connection.

Such absolutes, of course, are always debatable. Cragg at 41 is a distinguished artist who has made and deserves his luck, but part of that luck was to be noticed young by the institutions of contemporary patronage, and to have that patronage sustained. He is not alone in this, but the elect are few and the important thing, as so often in life, is to be elected. Most of the other 15 in the show may be new names to the Japanese, and their reputations comparatively lately won, but they are collectively very much the new establishment. And for every single one of them there are the many, more or less equally deserving by the quality of their work, yet who have never quite fitted the current orthodoxy or interest, or simply have never had the break. The moral is only that the mixed bag should be judged for what it is: subjective is indeed the right word.

That said, useful and enjoyable are epithets also not inappropriate. Here each artist is represented fully and strongly, each shown in a distinct space that allows the particular qualities and character of the work full play, undistracted. To the newcomer, some of the displays may be difficult and even disturbing, but all are engaging. And where the work is familiar, the new context as always has the most salutary effect upon eyes and mind. There are plenty of surprises to test our prejudices.

Richard Deacon, Anish Kapoor and Tony Cragg may offer fine examples of the sculpture that of all British art has been the most assiduously promoted abroad in recent years. Indeed Kapoor, our latest Venice Biennale laureate, shows a lovely new piece, a huge bowl lying on its side, its surface dense with pigment of the deepest ultramarine, so deep as to make its interior all but impenetrable to the eye, beautiful and mysterious.

But for once others dominate the show. It is David Mach who first brings the visitor up short, with a huge descending, swirling heap of the utmost formal ingenuity, contrived of curiously stacked magazines into which are set false rocks, a motorbike and two steel garden benches, for all the world like the elements set into the raked sand of a temple garden, albeit of a most extravagant kind. Mach is uneven but here is at his very best. So too with Antony Gormley, whose *Case for an Angel*, a simple standing figure with a wing span of some 16 feet, is another show-stopper. What with Andy Goldsworthy's improvisations upon nature at the centre of the exhibition, and the cool, ironical, whimsical cerebration of Ian Hamilton Finlay at the very end, there is clearly more to the newer British sculpture than the Lisson heavies.

So it is with the painters: Steven Campbell and Adrian Wisniewski may represent the new Glaswegian figuration, heavy with literary and romantic connotation, but Paula Rego shows that figurative art was never the perquisite of Scotland, and that a true artist may work for 30 years or more before coming to herself as a major and substantial figure. And Kate Whiteford reminds us there is more to Scottish, indeed British art than the figure by her deceptively simple runic devices laid upon intensely complementary colour fields. Her very presence proposes others, with so much abstraction of the highest quality being done in Britain – but that would be a whole new show.

William Packer

Callas

OLDHAM COLISEUM

Snoo Wilson's last London play *More Light*, that free-wheeling Elizabethan phantasmagoria which brought in a female Shakespeare, magic and time-warps, suggested a near-surreal fluidity just right for depicting the over-charged layers of make-believe of an opera star's life in the jet set whirl. Sure enough, Wilson's new work cuts from past to present, factual reportage to fantasy; but the effect is less a rich impressionistic tapestry than an unsatisfying magpie collection of scraps. Still less is it a study of an artist-turned-sacrifice on the altars of art (sanctioned fantasy) and vulgarity (populist wish-fulfilment).

The huge broken columns and swagged drapes of Craig Hewitt's designs frame double doors that reveal Maria Callas as *diva*, scarlet-clad, hair pulled back from high-cheeked Grecian mask of a face, passably recognisable in Linda Marlowe's assumption. A young admirer who finally threatens suicide unless she returns to her art accosts her in the Parisian seclusion of her last days. They remember her career; musical comment (not always more than superficially apt) is provided by The Soprano – a figure that wanders through the story played and sung by Maria Jagusz, another local product of the town that gave us Eva Turner and William Walton, with an attractive fast vibrato that makes the *Carmen* excerpts exciting.

The oddly-chosen music (some from roles Callas never sang on stage; and no *Norma*, *Traviata* or *Medea*) underlines misleading factual errors. Elsa Maxwell was a socialite party-giver and gossip, not an opera critic. The aggressively (if adoptively) British Rudolf Bing, going to work in New York every day in city gent suit and bowler, is portrayed as a sort of astrakhan-collared American Diaghilev. Callas herself is Americanised, without that very foreign Euro-American precision that made her accent hard to place.

More disappointing, though, is the total blank made of her character. High-falutin' talk of Art and Soul may be deliberately sent-up gush – such heresy usually prompts nasty letters, but Callas was in many respects a silly woman; and nobody who finds Mozart boring is a complete musician – but take that away and nothing much remains. This Callas exists as stooge to the play's most interesting creation: Aristotle Onassis.

Linda Marlowe and Linal Haft

The Callas-Onassis affair is rightly blamed for finishing her career, a surreally choreographed ship-board *danse macabre* in which a thuggish gangster pursues his latest toy in a stylised gallery (including the almost oblivious chair-bound Winston Churchill). Linal Haft, belly bulging over his shorts, champing a cigar, makes a convincing manipulator, casually arranging the deaths of awkward witnesses to business malpractice and alternating coarse philistinism with serpentine sexuality. Characterised by Scarpia's malevolent chords, Onassis underlines the *Tosca* parallel brilliantly as he plots to possess Callas to the background of Greek Orthodox religiosity.

Second night anti-climax on Friday may explain the lack of snap and urgency in the stylised kaleidoscope, unexpected from direction by Paul Kerryson, with his notable achievements in the production of musicals. A good supporting cast includes Stephen Beckett as the young fan (or angel of death?) and Michelle Fine in a variety of wigs ranging from Elsa Maxwell butch to Jackie Kennedy bouffant. The gap at the play's centre remains; neither Miss Marlowe's slightly panicky energy nor the script's style-hopping from poesy to gags comes near to filling it.

Martin Hoyle

Weekend Proms

ALBERT HALL/RADIO 3

Celebrating their 150th anniversary this year, the Royal Liverpool Philharmonic Orchestra (with sponsorship by Pilkington) brought two suitably grand pieces to their Prom on Sunday: Beethoven's "Eroica" Symphony, and the "Glagolitic" Mass of Janácek. The latter work served equally to tap the Czech sympathies of their principal conductor, Libor Pesek, and to show off the excellent RLP Choir – sensibly reinforced in the Albert Hall by the whole BBC Symphony Chorus. This Mass deserves no less; and in fact the combined choruses made a splendidly satisfying sound, full-voiced and unanimous and urgent.

Whether or not their Czech would pass muster to Czech ears (or more exactly, to Old Slavonic ears: Janácek chose to set this ancient version of the Mass out of pan-Slavic loyalty) they made confident musical use of all the words, with as much variety of colour and attack as the orchestra. Pesek got clean, alert playing from the latter – secure brass, pungent woodwind cries, the strings remarkably adept in Janácek's scratchy high-register figurations. With pace and dramatic timing under assured control, the true dimensions of the work were richly displayed – folk piety, unbridled triumphs, communal anxiety (in the Credo), tremulous awe before natural mysteries.

It is wonderfully bracing music, and the soloists here made sturdy contributions. With the surreal Albert Hall organ at his disposal, Ian Tracey was not only brilliantly agile in the Credo cadenza, but wild and reckless enough in his later solo movement to ensure its torrential impact. (Nothing less will do: placed where it is, after the voices have fallen silent, this obsessive outcry is one of Janácek's unique inspirations.) The solo voices were well cast, with Jane Eaglen's expansive soprano and the indefatigable fervour of John Mitchinson's seasoned tenor supported by the lower voices of Ameral Gunson and Michael George, each with a strong individual stamp.

The "Eroica" was less memorable. Pesek's was a soft-grained reading, suave and intelligent but in excessively good taste. At full power, this score should be more vitally aggressive, even truculent; its most challenging ideas want to be kicked home. From where I sat the strings were often stifled by the brass, at some real cost to the ongoing musical arguments of the first two movements – though there was plenty of taut feeling in the "Marcia funebre." In the final passacaglia (or whatever it is) Pesek achieved a better balance and revealed much lively detail. But the note of towering Beethovenian exuberance was never resoundingly struck: an "Eroica" on the proper Jovian scale ought to domineer, and maybe even bludgeon.

*

A mild Prom programme by the BBC Symphony on Friday was mildly enlivened by the première of Roger Marsh's *Stepping Out*, a 14-minute piece for orchestra with piano. The dance-suggestion of its title is developed steadily, from a suppressed tootling at the outset (small chamber ensemble hidden behind the piano) to more extrovert clatter and throb, and a brief side-swing into waltzing. The piano, geographically central, enters late and retains an obbligato status – some flashy decoration, and one slow, limpid cadenza (to which Martin Roscoe gave beautiful value), but too often doubled by other instruments to take a commanding lead.

Marsh's workmanship is thorough, and the basic idea appealing; but whoever was inspired to put Ravel's *La Valse* immediately after *Stepping Out* did him no favour. Ravel's dramatic plan is all too similar – and (for its period) bolder, more subversive and stronger. It also seemed to tickle the conductor's imagination awake: Lothar Zagrosek, who had given us well-smoothed, somewhat languid performances earlier in the programme, did much more for *La Valse*. If the BBC strings continued to sound lacklustre, at least as broadcast, Zagrosek highlit the insinuating wind-voices to disconcerting effect, and he kept us constantly reminded that Ravel's harmonies teeter on an alarming brink. Routine treatments can make them seem basically "safe," with just the odd chromatic curlicue; Zagrosek was properly aware that the whole structure is kinked and unstable.

In Schubert's Fifth Symphony, it had been precisely the woodwinds who were under-favoured – particularly in the opening Allegro, where what should come as sprightly interventions by them sounded like tame nods and echoes. The slow movement had its moments; the Finale missed a vital spark. In fact it seemed to be a sleepy evening in the Albert Hall; even Zagrosek's decently languorous account of the Debussy *L'Après-midi d'un faune* was riddled with negligent coughs from the audience. In Ravel's *Shéhérazade* cycle he illuminated far fewer hidden corners than in *La Valse*, and sometimes at limp tempi. Lynne Dawson's polished soprano was poised and cool (except, suddenly, at "Mais non ... tu passes" in "L'Indifférent"), with rather too little of the tale-teller's teasing manner.

David Murray

BOOK REVIEW

Song writer supreme

AS THOUSANDS CHEER: THE LIFE OF IRVING BERLIN
by Lawrence Bergreen
Hodder & Stoughton £20, 658 pages

Young people should be warned about this book, for it offers a useful hostility to education. Berlin never learned to read or write music, though he tried, unsuccessfully, when he resented the rumour that he kept a black boy to write his songs for him. Another rumour he disliked was that he could only play the piano with one finger. He played, in a way, on a transposing piano that turned the key of F sharp (black notes) into anything else he needed. Some explanation about how this worked would have been helpful, but the author is no musicologist.

Berlin's composing technique was simple. "I hum the songs ... and fix my own words to them until they're fixed clearly in my mind; and when I have got the rhythm I want, I call in an 'arranger.' I don't know anything about harmony; but I can make tunes." Yet musicians admired him; Leonard Bernstein wrote an introduction to a projected two-volume edition of his lyrics. It never appeared, because Berlin demanded too much from the publisher; he could be pathologically greedy over money. His principal arranger for over 60 years, Helmy Kresa, was left $10,000 in his multi-million-dollar will.

Born in 1888, Israel Baline, as he was then, arrived in New York in 1893, the youngest child of a Russian Jewish family. He left his school and his family in the Lower East Side at 14, and went, as he said, "on the bum," busking, sleeping where he could. He became a singing waiter in the Pelham Café, or "Chinese Mike's," where he used to invent smutty lyrics for the hit songs. He also wrote his own lyrics, in Italian, Yiddish or "coon" dialect, and helpful people put music to them, even got them published.

He was soon able to settle as a full-time lyric writer, initially content to have the music written by others. "Applicable to everyday events" was one of the qualities he required for his words; a song called "My wife's gone to the country, Hurrah!" sold 300,000 copies and made him $6,000 in royalties. It made his publisher $30,000, so naturally I. Berlin, as he had now become, joined his publisher's business. Two years later came "Alexander's Ragtime Band," which made +him+ $30,000, though it had been a slow starter.

His song-writing career was a genuine wonder. He could devise five songs a day; if there was no immediate use for them, he put them in his "trunk" for later. Bergreen lists close on 1000, including the everlasting "White Christmas." There were scores for some 40 musicals or films. Berlin resolutely retained the copyrights, though some, including "Alexander's Ragtime Band," expired, under American law, before he did.

Bergreen does not conceal the increasing meanness and bad temper that Berlin showed as he grew older. His private life was strictly private. His first wife, Dorothy Goetz, died only five months after the marriage. His second, Ellin Mackay, daughter of self-made millionaire Clarence Mackay, lived until three months after Berlin's 100th birthday in 1988, leaving some $10m to her husband. Berlin himself died just over a year later, in September 1989, aged 101. His copyrights, his publishing business, his theatre, his properties must have been worth what I can only call untold millions.

The book is well researched, and written in magazine style, with much imposed intimacy and verbatim dialogue. New York theatre figures – Berlin built a theatre for himself, the Music Box – and Hollywood movie figures throng the pages. There are many nostalgic photographs. Jerome Kern once said that "Irving Berlin *is* American music," and the song-writer whose singers stretched from Al Jolson to Bobby Darin has certainly some kind of claim to the title.

B.A. Young

ARTS GUIDE August 31-September 6

OPERA AND BALLET

London

Mummenschanz, the Swiss mime and dance troop, will perform on Sept 4-8. Sadlers Wells Theatre (278 8916).

Grand Opera Night with the National Symphony Orchestra, conducted by David Coleman. With the Fanfare Trumpeters of the Royal Marines and Pro Musica Chorus. Programme includes Verdi's *Chorus of the Hebrew Slaves*, Smetana's Overture to *The Bartered Bride*, Rossini's *Largo al factotum (Barber of Seville)*, Dvorak's *O Silver Moon*, Bizet's *Toreador's Song and Chorus*, Puccini's three arias from *La Bohème*, Leoncavallo's *On with the Motley (I Pagliacci)* and arias from *The Marriage of Figaro* and *Don Giovanni* (Sun). Royal Festival Hall (928 8800)

The Magic Flute Nicholas Hytner's production returns. Jane Glover conducts in a production which skilfully treads the difficult line between philosphical tract and pantomime entertainment. Bob Crowley's designs are delightful. (Thur). The Coliseum (836 3161).

Amsterdam

Muziektheater. The Netherlands Opera with a new production of *Parsifal* directed by Klaus-Michael Grüber. The Netherlands Philharmonic is conducted by Hartmut Haenchen, with Barry McCauley in the title role. The National Ballet dances *Memories from Underground* (Van Dantzig/Henze) and *Requiem* (Van Schayk/Mozart) (222 455).

Barcelona

Lyon Opera Ballet opens the season at the Liceu on Wednesday with Prokofiev's *Cinderella*. André Presser will be conducting the Liceu's own orchestra. Ends Sept 10. Gran Teatre del Liceu (412 14 66).

Milan

Teatro Alla Scala. Rudolf Nureyev's version of *Swan Lake* with sets by Ezio Frigerio and costumes by Franca Squarciapino. Isabel Seabra and Oliver Metz alternate with Isabelle Guerin and Andrei Fedotov in the lead roles, with Nureyev dancing the part of the magician Rothbart (80.91.26).

Verona

Arena. Closing performances of 68th festival include *Aida* conducted by Nello Santi. Martha Colalillo sings the title role, with Diane Curry as Amneris and Franco Bonisolli as Radames also Luigi Squarzina's successful production of *Tosca*, conducted by Daniel Oren. Linda Roark Strummer sings Floria Tosca, with Mario Malagnini as Cavaradossi and Knut Skram as Scarpia (590201).

Rome

Eurmuse. Bob Curtis's Afro contemporary dance company in *Elements* to music by Ruggero Artale, Alfredo Minotti and Karl Potter (5922151).

Berlin

Opera. *Die Fledermaus* with a new cast led by Lucy Peacock, Ruthild Engert, Jane Giering, David Griffith, Toni Blankenheim and Hermann Winkler. *Fidelio* in Jean-Pierre Ponnelle's wonderful production stars Gwyneth Jones, Marie Mclaughlin, Gerd Brenneis, Helmut Berger-Tuna and Robert Hale making his Berlin debut. *Aida* is sung by Bruna Baglioni, Olivia Stapp, Michael Sylvester and Ingvar Wixell. *Così fan tutte* has fine interpretations by Angela Denning, Mariana Cioromila, Carol Malone, Alejandro Ramirez, Andreas Schmidt and Gerd Feldhoff. *Rigoletto* rounds off the week.

Essen

Opera. The new season opens with the premiere of *Rigoletto*, produced by Jean Claude Riber with sets by Chris Deyer. The main parts will be sung by Dennis O'Neill, Jean-Philippe Labont in the title role, Mariella Devia and Stephen Dupont, conducted by Silvio Varviso.

New York

New York City Opera. The week features Janacek's *From the House of the Dead*, with John Absalom as Luka Kuzmic and Jon Garrison as Skuratov in Rhoda Levine's production conducted by Christopher Keene. John Copley's production of *Le Nozze di Figaro* is conducted by Scott Bergeson with Maureen O'Flynn as Susanna and Dean Peterson as Figaro. Sharon Graham has the title role in Frank Corsaro's 1930s production of *Carmen* conducted by Hal France with John Absalom as Don Jose. New York State Theater, Lincoln Center (307 7171).

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Tuesday September 4 1990

Sharing the burden

RIGHT FROM the start, President Bush's response to Iraq's seizure of Kuwait has involved a skilful balancing act. On the one hand it needed to be swift and decisive, which meant that the US had to act alone, without waiting for lengthy consultations or hiding behind the skirts of its allies. On the other, it needed to have the force of world opinion behind it, and the sanction of international law. No one knows better than Mr Bush that the US is financially ill equipped to undertake a major new military commitment on the other side of the world, and that politically it will be impossible to sustain such a commitment if Americans feel their effort is unappreciated and unwanted.

Two recent developments reflect his anxiety lest the US get too far out in front and have to bear too much of the burden on its own. First, he is making a determined effort to spread the cost of the deployment among his allies; second, he has announced an unscheduled summit with President Gorbachev.

Both moves are essentially sound and deserve a positive response. Europe and Japan have as much at stake in the present crisis as the US; arguably more. In so far as they are less well equipped to make a military contribution they are better equipped to make a financial one, and should do so. But they should not be content with that pattern. It is surely not the destiny of the US armed forces to act as mercenaries, even (in Kipling's words) to "save the sum of things for gold." All those countries which agree on the need to deploy military forces should be prepared to deploy some of their own.

Diplomatic contribution

That goes for Mr Gorbachev too. What Mr Bush mainly wants from him at this stage is essentially a diplomatic contribution: a removal of the remaining ambiguities in the Soviet position – represented, for instance, by the presence of Soviet military advisers in Iraq – and an assurance of Soviet support not only for the objectives of US policy but also for the means being used to reach them. Perhaps he should ask more: Mr Gorbachev is certainly not well placed to make a financial contribution, but he is better placed than most to make a military one – and the presence of even a token Soviet contingent among the forces confronting Iraq would be more eloquent than any number of resolutions.

What Mr Bush cannot expect, however, either from his old allies or from his new one, is a blank cheque. If Europe and Japan are to pay the piper, they will expect at least some say in his choice of tune. If they are to make a significant military contribution they will expect a share in the command or at any rate the control of the forces deployed. If there is to be an American SACME (Supreme Allied Commander Middle East), as no doubt there should be, it cannot be expected that he will order European forces into battle unless in circumstances previously agreed at the political level.

UN flag

Mr Gorbachev will be no less insistent on this point. The price of his support for any further militarisation of the crisis will surely be the activation of the UN military staff committee and the placing of military forces in the area under the UN flag. That need not be incompatible with the appointment of an American supreme commander, with broad discretion in matters of tactics. But, again, the political decisions on when and where to use force would have to be taken collectively. The function of the staff committee would be to co-ordinate national contributions to the multinational force and to oversee the lines of supply and communication.

The danger, as US commanders will be quick to point out, is that collective decision will mean no decision, and thus that political support will have been obtained at the price of ruling out military force as a practical option. Mr Bush is unlikely to allow this. Whatever common structures are devised, their credibility will depend in part on the knowledge that the US retains the option, *in extremis*, of acting unilaterally or with such of its allies as are willing to join. The balancing act must go on.

Mergers and Mr Lilley

BRITISH trade secretaries may come and go, but since July 1984, when Mr Norman Tebbit announced that references to the Monopolies and Mergers Commission were to be made primarily on competition grounds, policy in this area has at least remained relatively consistent. Whether it will remain so under Mr Peter Lilley is another matter. Mr Lilley is the first Trade Secretary to rewrite the so-called Tebbit guidelines; and following his decision last week to reject the advice of the Director General of Fair Trading over a change of ownership at a small Irish leasing company called Woodchester Investments, it is beginning to look as if a maverick element is creeping back into competition policy.

Mr Lilley made it clear in July that he was anxious to make life more difficult for state-controlled companies pursuing acquisitions in the United Kingdom. In practice that means taking issue with the French, whose nationalised undertakings have been the most active in making cross-border acquisitions in Europe, and especially Britain, over the past 18 months. The argument for the change is partly ideological. The present government has spent much of its time in office privatising the commanding heights of the economy. A takeover, agreed or contested, by a state-controlled French company is, in Mr Lilley's eyes, renationalisation by the back door.

Competitive advantage

Whether this kind of discrimination against nationalised industries can be squared with the Treaty of Rome is a moot point. But if there is a case to be made it would presumably rest on the lack of an even playing field. Nationalised industries can often derive competitive advantage from state subsidies or from immunity from bankruptcy. An additional question arises where they are buying into countries that rely on active markets in corporate control to impose ownership discipline on management. Substituting state ownership for private shareholders would, in theory, dilute that discipline.

The problem with such arguments is that they run into the same criticism that is sometimes levelled at the Government's privatisation programme. Too much emphasis is placed on ownership, too little on the more potent discipline of competition in the product markets. To impose constraints indiscriminately on all nationalised undertakings regardless of whether they operate on a commercial basis or otherwise is, in a European context, highly provocative. There are undoubtedly some French state enterprises such as the car maker Renault where large government subsidies have rightly exercised the European Commission. But there are others that operate on commercial lines.

Financial discipline

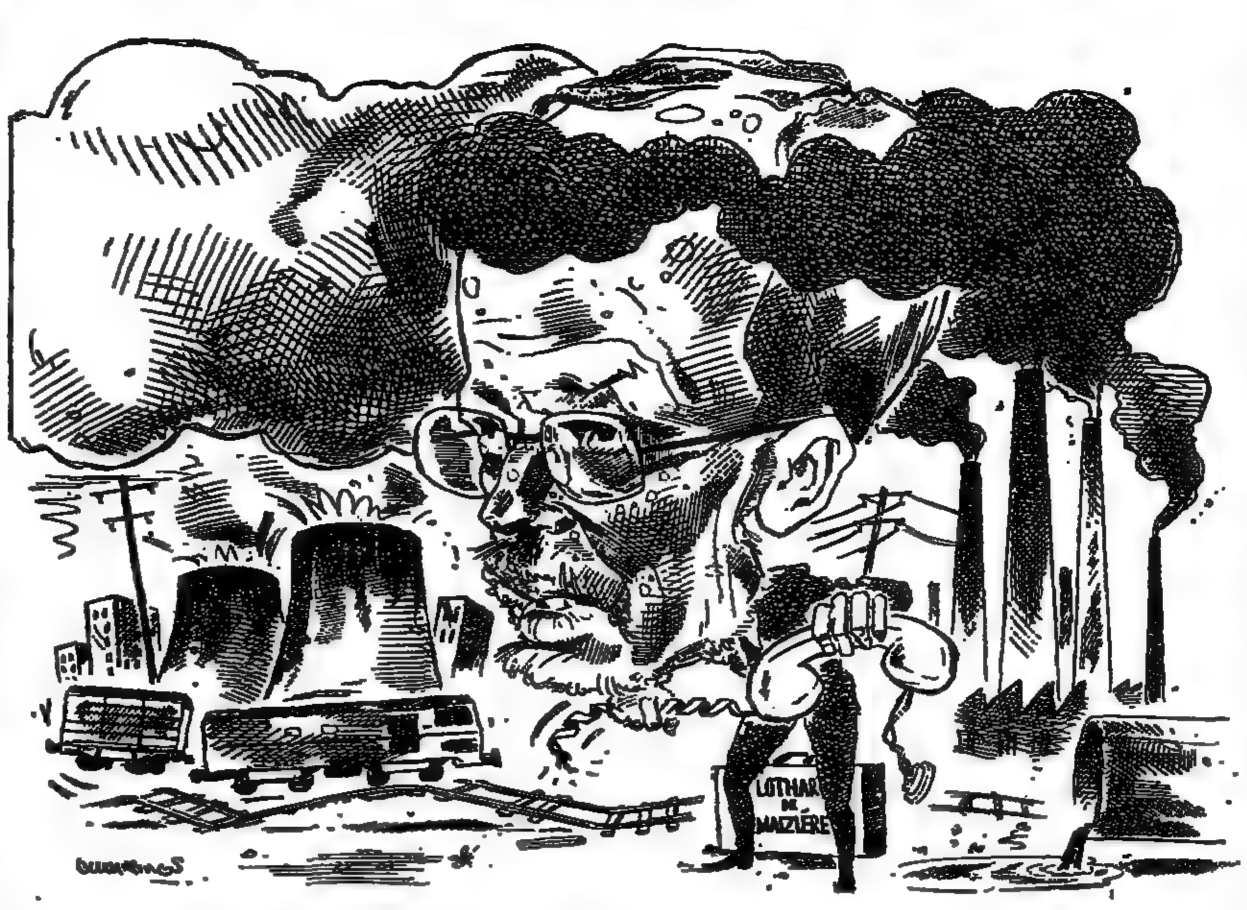
In the case of the French state-owned bank Crédit Lyonnais, whose desire to increase its stake in Woodchester Investments to 45 per cent prompted Mr Lilley's rejection of the advice from the Office of Fair Trading, a reference on competition grounds scarcely seems justified since this Irish-owned company's share of the UK leasing market is paltry. Nor do arguments about even playing fields appear very relevant. International co-operation under the auspices of the Bank for International Settlements has already produced an agreed set of capital adequacy requirements for banks. As for financial discipline, Crédit Lyonnais is undoubtedly immune from takeover and bankruptcy. But so are Midland and Lloyds.

In the circumstances Mr Lilley's decision to refer looks ill-judged. And for those UK businessmen who wish to have dealings with the very substantial part of the European corporate sector that is in public ownership, it needlessly muddies the waters.

Under Section 84 of the Fair Trading Act 1973 the Monopolies Commission has considerable latitude in the criteria it adopts for deciding whether a takeover is in the public interest. It would helpful here if it concentrated on the genuine competition implications of foreign state ownership, while making a more general pronouncement on the principles underlying Mr Lilley's quixotic change of policy.

Andrew Fisher on the massive challenge of overhauling infrastructure in East Germany

A race to match the best in the West



By the end of this century, the country that is still East Germany – on October 3, the two Germanys finally unite – could have one of the world's most modern infrastructures.

At present, it has one of the worst, a depressing legacy of four decades of rigid Stalinist planning which took virtually no account of the environment, put a low priority on consumers' needs, and made self-sufficiency a supreme, and costly, goal.

The results are all too plain. In many areas, the air reeks, especially where noxious brown coal is made into briquettes or creakingly inefficient factories burn masses of fuel and emit clouds of acrid pollutants. The ground in the main industrialised areas is so full of toxic substances that an immense clean-up campaign is necessary; roads range from acceptable to appalling; much of the rail system is unreliable and uncomfortable; and wasteful power stations burn brown coal, much of it with a high sulphur content.

Telephoning is a nightmare: it can take several hours to make a connection between the Germanys, though phoning the rest of the world is easier; without the telex, arranging appointments in East Germany would be almost impossible. Work has begun on connecting the Germanys by phone, this being one of the most urgent requirements for the reflowering of the economy that politicians and economists still expect, in spite of the present transitional difficulties.

These were reflected at the 825th Leipzig trade fair, opened on Sunday by Mr Lothar de Maizière, the East German prime minister. The number of East German companies involved had dropped to 1,000 from 1,800 last year, while the number of West German companies represented had risen to 1,500 – four times last year's number. This shift is a graphic illustration of the present parlous state of East Germany's economy.

Without a rebuilding of its infrastructure, East Germany and its 16m people will never be able to achieve the yearly growth rates of 7 to 10 per cent needed for it to catch up with West Germany, with a population of 61m. The investments needed in new transport, energy and environmental systems will play a crucial part in stimulating such expansion.

The improvements needed will be extremely costly, totalling more than DM300bn ($188bn) for transport, telecommunications, energy and the environment. Modernisation of the water and sewage systems could add a further DM100bn. If housing needs are included – every fifth home is uninhabitable – the cost rises to DM600bn, although such estimates include a large element of guesswork. The sums look less startling when it is considered they will be spread over 10 years or so.

Moreover, not all of the money will come from the public purse. In the energy and environmental sectors, much of the finance will come from industry. Higher charges, especially for telephones and household energy, will also meet much of the cost.

The areas needing attention are:

● Rail. Only 25 per cent of track on East German Railways (Deutsche Reichsbahn) is electrified against nearly 40 per cent in West Germany. Of 8,200 rail bridges, 3,500 are more than 85 years old. Like many other sectors, the Reichsbahn was starved of investment. Sleepers have crumbled because the wrong concrete was used; at least a third of the 14,000km network has been affected, with many sleepers lasting only seven years instead of the usual 25. This is now being put right, expensively.

To save on energy imports and foreign exchange after the 1970s oil crises, the Government decreed that freight would be shifted predominantly by rail. Heavy use of indigenous brown coal also put a huge burden on the rail system – a third of its freight was brown coal and nearly 75 per cent of all goods transport was by rail. In West Germany, only 22 per cent of freight goes by rail.

"The whole track needs working on," says Mr Hanns Mauthner, the Reichsbahn's planning director. It could cost DM100bn to put right the effect of years of neglect, buy modern rolling stock, and build new links with the West. These would run mainly from Berlin and industrialised Saxony, which includes Leipzig. On top of this, West German Railways (Deutsche Bundesbahn) reckons it will need to invest about DM30bn for its side of the new East-West links.

● Roads. Since the Second World War, few main roads have been built. Whereas more than 6,000km of motorway have been constructed in West Germany since 1960, the figure for East Germany is a mere 480km. The main motorways are in reasonable condition, though they have only two lanes.

Improving and extending East German roads could cost a further DM100bn.

● Telecommunications. Here, the task is really pressing. Much of the telephone-switching equipment is pre-war. For many people, obtaining a phone was impossible, with waiting times of 10 years or more. There are only 11 phones per 100 people (46 in West Germany), though Berliners are better off. For business, the lack of phone lines is a big problem, one being temporarily and patchily met by satellite links and mobile phones.

"Telecommunications are the nerve system of a modern economy," says Mr Hans-Joachim Frank, an economist at Deutsche Bank. "If these are not improved, little else can happen." Under the Telekom 2000 programme, East Germany aims to reach West German standards in 1997. This will involve the installation of 1m new telephones a year, as well as a whole range of facsimile, data processing, and other modern facilities, making full use of digital and optical fibre techniques. Cost? About DM55bn.

● Energy. East Germany has one of the world's most inefficient energy systems. Heavy reliance on brown coal is a main reason for the dreadful state of the environment. Because of high subsidies, East Germans have no incentive to keep energy use down; households pay a third or less than in West Germany. Since heating cannot be regulated in flats, opening the window is the only way to lower the temperature on mild winter days.

For West German and foreign companies, the prospects of new business are potentially enormous

The use of brown coal will be cut from about 85 to less than 50 per cent of total needs, with bigger reductions in choking areas such as Leipzig/Halle where high-sulphur coal is burned. Equally problematic is nuclear energy, which accounted for 10 per cent of electricity generation, but is down to 1 per cent through closure of dangerous plants like that at Greifswald near the Baltic coast. Greater use will be made of oil, gas, and more efficient hard coal.

The recently signed electricity contract between three big West German utilities – RWE, PreussenElektra, and Bayernwerk – is an important step in the rebuilding of the electricity generation and supply network in the East. Because of monopoly objections, there is scope for smaller utilities, from West Germany and the rest of Europe, to become involved. The cost of energy reconstruction has been put at more than DM50bn.

● Environment. The country has Europe's dirtiest air. Each year it pumps more than 5m tonnes of sulphur dioxide into the atmosphere, more per capita than anywhere else in the world. Vast areas have been defaced by machines which scrape off the brown coal and leave behind a dead landscape. As well as energy, basic industries such as chemicals and aluminium, with outdated equipment and poor safety measures, are also notorious polluters. The Leipzig/Halle industrial area is one of the worst sufferers.

For decades, data about the environment was kept secret. It was an offence to seek it out. Under the iron hand of Günter Mittag, the chief economic planner, production growth had top priority over curbing pollution. "People in East Germany have an average life expectancy of two years below that in West Germany," says Mr Diethelm Müller, head of the energy department in the Ministry of Environment and Energy.

"Our environmental technology is around the level of the 1920s," he adds. Some of the worst polluting factories have been closed already. By 2000, the hope is that standards in the East will reach those in the rest of the country, where environmental consciousness is high. Industries will be required to meet stringent standards, though investors will not have to pay for cleaning up the worst excesses of ground pollution. The upgrading of the energy sector will be crucial in ensuring cleaner air.

As the above descriptions show, the challenge of overhauling the East German infrastructure is immense. A start has been made, notably in telecommunications, but also in targeting the worst environmental offenders for rapid closure and setting the basis for a cleaner, more efficient energy system.

"There is practically nothing that doesn't need putting right," notes Mr Frank. The present chaos in East Germany makes all too clear that moving from a centrally planned system to one in which people's needs and desires are taken fully into account, and in which competition flourishes, will be hard. The electricity contract between the three big West German utilities, for instance, became highly controversial as West Germany's Federal Cartel Office fought successfully to ensure that one monopoly was not simply replaced by another.

The competition issue also surfaced in the attempt by Lufthansa, the West German national airline, to take a 26 per cent stake in Interflug, its ailing East German counterpart. Lufthansa has already begun flights into Leipzig and Dresden and has applied to fly to Berlin once the allies liberalise traffic into the city. Berlin has two airports, in the East and West, but these are too small. A big new airport is envisaged to the south-west, though this is some years off.

For West German and foreign companies, the prospects of new business are potentially enormous, especially in the construction, engineering, electrical and electronics, and environmental technology sectors. Siemens is linking up with East German telecommunications, energy equipment, and transport engineering concerns; Asea Brown Boveri (the Swiss-Swedish combine with a big German operation) has ventures with two companies in the power plant and industrial plant industries; and SEL is involved in a telecommunications joint venture. European companies, notably the French, are keen to become involved in energy and water supply.

In many areas, the scope for private initiative is wide. Even in public sector projects like sewage – only 60 per cent of East German households are joined to a sewage plant – experience in West Germany shows that putting projects in the hands of private operators can lead to big cost savings. Also, since East German local authorities' tax basis is still undeveloped, this method would not require them to put up any initial funds.

Although tendering for contracts will, in theory, be open to all-comers in the transport and telecommunications fields, raising the huge sums required will obviously be a task which falls mainly on the national budget and the capital markets. Mr Mauthner, the Reichsbahn's planning director, reckons the Reichsbahn will have to tap the market for at least DM5bn a year. He says German, Japanese and other companies have all shown interest in helping to re-equip the East German rail network.

Mr Horst Gibtner, the East German Transport Minister, also says: "European and overseas companies, especially from the US and Japan, are pushing to enter this market." He reckons private industry could take important stakes in such projects as airports, harbours, and motorways, recouping their investment through operating fees.

Because the scale of the task is so large, there is room not only for new methods and equipment, but also for flexible concepts which reduce the role of the state and raise that of the private sector. In East Germany's case, this role has been exercised in the past with a heavy, uninspired, and unfeeling hand. The sorry state of the infrastructure is the most obvious result. Thus its complex and costly reshaping, on which a rapid start must be made, is vital for both material and psychological reasons.

OBSERVER

The man who chose Britain

■ No Japanese person better symbolises the new era of business relations between Britain and Japan than 78-year-old Takashi Ishihara, chairman of Nissan Motor, and an elder statesman of the Japanese industrial phenomenon.

The Queen, in bestowing an honorary knighthood upon him, is recognising services to Britain of a high order measured in almost any terms - although the citation specifically talks of contributions to economic relations between the two countries.

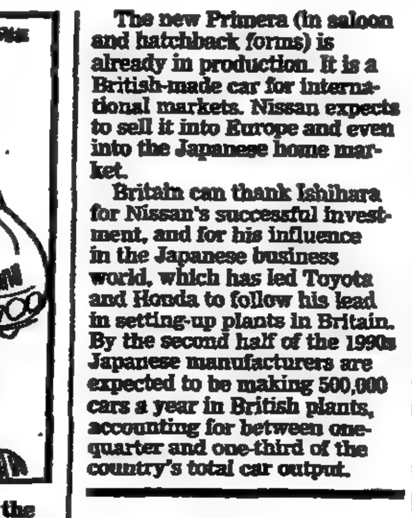
I imagine that the ceremony at the British embassy in Tokyo on Friday, when Ishihara will become an Honorary Knight Commander of the Order of the British Empire,(the highest honour incidentally that the Queen can bestow on a foreigner) will not pass without some spirited words from the recipient and a joke or two.

For Ishihara is a living legend for his plain-speaking and combative attitude in argument - the very qualities which most Japanese in business and politics are at pains to remove from their public selves.

He has not hesitated to attack Japanese government ministers openly in the past for their behaviour (the Recruit bribery scandal was one occasion which provoked his wrath), and fellow members of the business community for seeming to condone corruption.

He delights in bluntness and being a man of the people. The FT's Stefan Wagstyl said of him recently in a profile from Tokyo, "Mr Ishihara has a gift for voicing opinions which strike a chord with the average Japanese. People stop to listen when he appears on television, and seek out newspaper articles which quote him".

He joined Nissan in 1937 after graduating in law. But although he was made a director at the age of 33 he did not become president until he was 65. It is said he was held back by company politics.



"He seems to be taking the knighthood thing seriously"

Probably more than anyone else in the world car industry he has brought an internationalist approach to its ranks.

Britain is grateful to him for his absolute certainty that the Japanese car industry should make the country its main base for expansion into Europe. He was steadfast on that issue against much opposition from his colleagues in the Japanese motor industry at a time (the beginning of the 1980s) when the British car industry was in poor shape.

Primera time

■ British officialdom has now shown a nice sense of timing. Ishihara's knighthood comes just a couple of weeks before the latest product of Nissan's Sunderland car plant, the Primera car, is unveiled at the motor show in Birmingham. Since the plant opened in 1986 it has made more than 150,000 of the Bluebird model which the new car will replace.

The new Primera (in saloon and hatchback forms) is already in production. It is a British-made car for international markets. Nissan expects to sell it into Europe and even into the Japanese home market.

Britain can thank Ishihara for Nissan's successful investment, and for his influence in the Japanese business world, which has led Toyota and Honda to follow his lead in setting-up plants in Britain. By the second half of the 1990s Japanese manufacturers are expected to be making 500,000 cars a year in British plants, accounting for between one-quarter and one-third of the country's total car output.

Tank money

■ A Japanese philanthropist, Ryoichi Sasakawa, is currently being regarded in Finland with feelings equally as warm as those generated by Ishihara in Britain.

For his Sasakawa Foundation has made a $20m grant to the worthy but hard-up World Institute for Development Economics Research (WIDER) based in Helsinki. The first $4m instalment has been handed over.

The think tank was set up five years ago by the United Nations University with a contribution of $25m from Finland. Its energetic director Lal Jawawardena is scouring the world to attract the best brains.

Sasakawa says he is giving the money in recognition of the "quality of the institute's programme and its future potential".

Out of focus

■ David Puttnam's new film, Memphis Belle, about the crew of a legendary Second World War Flying Fortress bomber, may go down all right at the box office. But it makes a sad story for the British film industry all the same.

Many years ago this leading British producer (films such as Chariots of Fire and The Killing Fields) saw a painting of an RAF Lancaster bomber crew in the Imperial War Museum and knew he wanted to make a picture on the subject.

Reading Len Deighton's novel Bomber rekindled his interest. There was no way however, Puttnam concluded that the money could be raised for a picture about a Lancaster. The biggest cinema market in the world - the US - just doesn't identify with British heroes. Nevertheless, Puttnam had a nostalgic postcard of the RAF painting in his pocket yesterday as he launched Melphis Belle.

"What we have at the moment, and Mrs Thatcher realises this, is a film industry that doesn't have the resources to tell our own stories," says Puttnam." A nation that cannot celebrate its own heroes should start asking itself very serious questions".

His prediction, admittedly from the standpoint of being a film-maker is that psychological damage to the national psyche will ultimately result, if the British do not show more of their national life, and their heroes, on-screen.

As if to to emphasis the point Puttnam is on his way to resume work on his next film which will be a production financed with European money.

It has real Euro style being a story of madness in the Paris opera, filmed in Hungary about a Hungarian conducter who is being played by a Frenchman.

Blues singers

■ The Chelsea young women Sinbads I mentioned (single income, no bloke and desperate) have their male counterparts. They are Singers - single income, no girlfriend and extremely raunchy.

هكذا من الاصل

LETTERS

IEA signals are no substitute for IEA action

From Mr Joe Roeber and Mr Martin Orleon.

Sir, The most remarkable thing about the present crisis, as far as it affects the oil industry, has been the determination of crisis-managers to persuade us that there is no crisis. We can all do our sums and show that the loss of production from Iraq and Kuwait can be made up by the combined efforts of other Opec members. But the politics surrounding last Thursday's meeting in Vienna show how delicate the balance is.

The Opec meeting was followed by an International Energy Agency (IEA) meeting on August 31 which apparently decided that the Opec move, together with other factors, will be sufficient to restore balance to the market in the near term. If they are right, the assembled IEA governments need do nothing for the moment but let the market punish those who bet the wrong way. But if not, they must be prepared to act – and to act decisively – by mobilising strategic reserves to the extent that such an interruption to supplies might demand.

However, there is a real danger that, faced with a threatened shortage in future, the IEA members might be tempted to resort to vague exhortations and a call for everybody's best efforts, thus falling well short of decisive action.

Why? For a reason which is being increasingly heard, and which would be hilarious in a situation less serious: that it would "give the wrong signal." (You may imagine the serious folk who are offering this advice refusing to start the engines when the boat approaches the falls, because to do so might frighten the passengers.)

"Giving the wrong signal . . ." This is trader-talk, *dealing in surfaces* and body language. In the real world consumer governments do not have to resort to "nods and becks and wreathed smiles . . ." to communicate with the really important players in the oil market: the big international companies. What *signals do you need* beyond a loss of 4m barrels a day of physical supply – greater than *the loss that sent prices to* above $80 per barrel (in today's money) in 1980? Now *that* is a signal.

And governments would do well to act on it, by at least showing a principled willingness to release oil from stocks to alleviate the situation.

Joe Roeber,
Martin Orleon,
Joe Roeber Associates,
13 Great James Street, WC1

More than beauty

From Mrs Isobel Hunter.

Sir, What a pity Sara Webb's article on the fund manager's "beauty parade" (August 17) ventured no further than the City of London. And I take issue with the negative reaction to Burrage's suggestion of gaining overseas exposure for the portfolio through investment trusts.

A pooled fund is the sensible way to gain overseas exposure for a portfolio of about £400,000. If, say, 10 per cent were to be targeted for European markets, just £40,000 would be required to cover such diverse areas as the D-Mark bloc, Scandinavia, Spain, France and Italy. For Europe and the south-east Asian market, an obvious solution is to choose an investment trust run by an experienced fund manager whose strategy reflects that of the client's portfolio manager.

An independent manager has the advantage of choosing the best fund for each area. I suspect the large unit trust houses would restrict the client's choice to their own in-house funds. A good private client fund manager tracks the performance and strategy of investment trust holdings in the same way as he/she does other equity investments.

Overseas investing through a pooled fund has other advantages for the private client; it provides sterling income and allows changes in strategy to occur within the investment trust – for instance, a switch away from Germany to France without incurring commission charges and capital gains tax.

Being able to buy this expertise at a discount makes the informed choice of investment trusts for overseas investment positive, not second best.

Isobel J. Hunter,
Adam & Co,
22 Charlotte Square,
Edinburgh, Scotland

Building mutual trust

From Mr Robert Higgs.

Sir, Mr Christopher Spackman of Bovis (Letters, August 8) makes a number of valid points about the cause of building delays. As one of the leading specialist trades in the construction industry, we agree with him on the importance of overcoming the adversarial climate which, as he points out, is so often caused by specially-written contracts containing onerous clauses.

However, Mr Spackman is chairman of a large national main contractor. While we support him in resisting devious legal drafting of onerous conditions, if the big contractors (of which his own company is an example) would perhaps take a lead, and stop the practice of drafting their own equally complex and legalistic forms of subcontract, we will be able to break the obnoxious (and counter-productive) mould.

Furthermore, many main contractors take the opportunity, given a non-standard main contract, of adding even more onerous conditions into their sub-contracts. In this way they increase the adversarial climate. This is an inevitable consequence of main contractors setting up a situation whereby they abuse their relationship with sub-contractors to make up for any shortfall they may suffer from having accepted onerous conditions in the main contract.

It is this practice which totally defeats the admirable ideal expressed in Mr Spackman's last paragraph. But without the concept of "mutual trust" the positive, constructive atmosphere he seeks is not achievable; and the imposition of onerous conditions simply drives the parties further apart. Eliminate onerous conditions born out of mistrust, and the communication problem he refers to will evaporate.

Robert Higgs,
director, Heating and Ventilating Contractors' Association,
Esca House,
34 Palace Court, W2

From Mr John Huxtable.

Sir, Since its formation in the early 1980s, this organisation has taken the lead in opposing strongly the unilateral imposition of onerous contract terms by main contractors and others in the construction industry. Our opposition has been based on our perception of the adversarial attitudes and the damage to contractual harmony and efficiency which inevitably results from attempts by one party to impose a one-sided and potentially burdensome contract on the other.

Clients of the industry in particular have suffered from the adversarial approach; the specialist companies which nowadays carry out almost all the construction work on most projects are severely hampered in their efforts to meet the requirements of clients.

We are delighted to learn that our views are evidently shared by Mr Christopher Spackman, the chairman and managing director of Bovis Construction (Letters, August 8). Specialist companies which have previously found the Bovis sub-contract terms unpalatable will doubtless share our delight.

Bovis has shown the way forward in several important contractual developments in the construction industry recently, and now – from the evidence of Mr Spackman's welcome statement – is intent on giving other big contractors a responsible lead.

We warmly welcome Mr Spackman and his colleagues at Bovis to our long-term crusade to create, as he puts it, "a positive, constructive atmosphere which would encourage greater efficiency and effectiveness." I confirm that the confederation is happy to co-operate with Mr Spackman and others in achieving this.

John Huxtable,
chief executive, Confederation of Construction Specialists,
75-79 High Street,
Aldershot, Hampshire

Spending more time with the family

From Mr Brian E. Howard.

Sir, Richard Tompkins's Weekend FT article (August 25-26) on railway pricing and economics was interesting, but wrong as regards British Rail's InterCity.

While one appreciates the need to maintain morale, Mr John Prideaux, British Rail's InterCity director, should not be allowed to get away with his repeated claims of InterCity's profitability, and how it is the only national long-distance passenger railway in the world which is running at a profit. This is untrue.

InterCity is not a railway. It is a marketing sector of a heavy loss-making nationalised industry which is bailed out daily by us, the UK taxpayers, by more than £1m a day, 365 days a year.

By having the use of heavily subsidised facilities and through dubious creative accounting, it is easily possible to show any sector of the whole as being profitable. But InterCity, a railway – never.

Lord Stamp (London Midland and Scottish), Sir Herbert Walker (Southern) and Sir James Milne (Great Western Railway), who had to see that all the bills were paid and yet return an honest dividend to their shareholders, all knew what a real railway was.

To help BR into profitability I offer, meanwhile, the suggestion that those who are employed to design and apply rolling stock liveries, and then change them so often that whole patchwork trains can now be seen with coaches and locomotives, no two of which share the same colour scheme, be allowed to spend more time with their (perhaps oddly assorted) families.

Brian E. Howard,
The Glebe House,
Cople, Bedford

Some buy-outs deserve criticism

From Mr Edmond Jackson.

Sir, Lex (August 23) ought to stand its critical ground on buy-outs.

Stockmarkets tend to accentuate company valuations around their intrinsic worth over the economic cycle, allowing astute entrepreneurs and their financial advisers to profit consistently by selling businesses dear in times of prosperity, buying back cheaply when short-term reported earnings fall. Either way, it is the long-term passive shareholder who gets fleeced.

Analysis of 1980s new issue prospectuses shows just how successful company promoters were in seducing investors.

David Williamson (August 30) tries to justify buy-outs in times of smaller companies' unpopularity. But this could be eased without transaction costs if managements were to communicate effectively with shareholders, and put more detailed information in their accounts, rather than, say, glossy pictures. One suspects they have numbers to hide.

His argument for "companies being allowed to reverse the process when circumstances dictate" may indeed help those unable to cope with the responsibilities of a listing, but will also smooth the way for deal-makers to cream off the wealth that legally belongs to shareholders.

One applauds recent co-operative efforts by institutional investors to oppose inherent short-termism in the buy-out movement – for which managers usually berate them. Advocates of wider share ownership might explain how a mass of individuals can exercise corporate governance as effectively, to keep managers' eyes focused on long-term wealth creation.

Edmond Jackson,
Chenies, Butlers Dene Road,
Woldingham, Surrey

Lawyers are mostly specialists

From Mr R.J. Smyth.

Sir, The legal profession is usually accused of being slow to change and mysterious in describing what it does.

It is sad, therefore, to see the Law Society criticised by the National Consumer Council (NCC) for its unusually bold and sensible decision to permit lawyers to describe themselves as specialists ("NCC warns on solicitor claims" August 17). If the NCC is correctly quoted, it is mistaken about what the Law Society is doing.

Only the Law Society could have held out for years against the logic of allowing a solicitor who has spent the whole of his or her professional life practising in one branch of the law to call himself or herself a specialist in that area. Doctors do it, engineers do it, accountants do it, even barristers now do it – so why should not solicitors do it also?

Limiting the title of "specialist" to the handful of public-spirited solicitors who join the Law Society's specialist panels has never had any logic in terms of the profession's relationship with the public. Those worthy people pass no examination to become a panel member, nor do they become any less of a "specialist" when they cease to serve on a panel.

To pretend that almost the whole profession consists of general practitioners is more damaging to public awareness of what solicitors do than the possible consequences of a solicitor without genuine specialist knowledge, claiming that he or she has it. To a greater or lesser degree most lawyers now specialise, and the public should be able to pick and choose accordingly.

R.J. Smyth,
Burges Salmon,
Narrow Quay House,
Prince Street,
Bristol, Avon

'Without these, a capitalist system cannot work in Poland'

From Sir Arthur Knight.

Martin Wolf and Christopher Bobinski identify privatisation as the structural issue which needs first to be tackled in Poland now that the macroeconomic preconditions are in place. They examine proposals for citizen ownership by way of vouchers giving claims on the assets to be privatised, and by setting up several mutual funds to manage the investments acquired through the exercise of those claims (August 2). The practicalities of this need some thought.

They suggest that, initially, citizens might acquire ownership of only 20 per cent of the assets and that 60 per cent should be retained by the state as a sleeping partner.

The reason for this is not explained. It will be expensive. The mechanics and costs of the initial distribution process will reflect the decision to deal with all 7,000 enterprises; further distributions later will each involve similar costs.

Moreover, such continued concentration of power must create a high risk of political intervention in the management of mutual funds and individual enterprises; success in establishing a market economy may be jeopardised.

The object is perhaps to ensure to the state some share in future income flows. But that could be achieved by requiring enterprises to pay a proportion of earnings or of distributions to the state.

Other questions relate to the mechanics of privatisation by this method. The mutual funds will presumably be subject to some regulatory code. There may be advantage in an initial encouragement of a sufficient number to ensure competition, but with no more players than are needed to achieve "critical mass."

With 20m electors, there might be 200m vouchers; no individual should want more than 10 holdings, and under the right conditions that number should generate the required competitiveness in the market in which vouchers are exchanged for shares.

Individuals will presumably be free to use vouchers either through mutual funds or to acquire shares on their own account; small companies will not necessarily need – or be able to afford – the costs of a stock exchange listing; a stock exchange handling the transactions only of mutual funds will never become much of a market-place; employees may want to have their main stake in the enterprise in which they work.

The link between vouchers and issued share capital needs thinking about. The notion of an auction is inappropriate; the number of shares of any one enterprise issued to citizens or to mutual funds should equal the number of vouchers tendered for it.

The managers of the enterprise will then issue supplementary shares required to satisfy whatever may be the valid claims of employees, banks and foreigners. Any splitting or consolidation of share certificates necessary for ease of trading can come later when there are stock exchange quotations.

To handle the mechanics of privatising there will surely be needed a prospectus from each of the mutual funds; some general framework(s) for corporate governance; some authenticated information about each enterprise on which potential investors can make judgements; some period between the release of these pieces of information and the date on which vouchers have to be tendered with an indication of investment choices; and some financial media activity through which investors can be helped to form views.

All these may well be regarded as primitive in London or Frankfurt, but without them there cannot be created even the beginnings of understanding about how to operate a capitalist system.

Arthur Knight,
20 Valiant House,
Vicarage Crescent, SW11

FOREIGN AFFAIRS

The church that broke its silence

Edward Mortimer reports on a gathering of Christian activists from eastern Europe

"Give us a journalist and a priest," was the first demand of the prisoners who mutinied last summer at a penal colony in the Ukraine. A heartening story for journalists – at least someone, somewhere, believes we are some use – but also for priests. What did they want the priest to do? They simply wanted "someone to talk to us as human beings."

The story comes from a book published this week*, whose author might well be the man the prison mutineers were looking for: a priest certainly (of the Church of England, believe it or not), but also a journalist, at least if we accept a rather lofty definition of a journalist as someone who devotes his life to investigating and publishing the truth about some aspect of contemporary affairs.

Michael Bourdeaux first visited the Soviet Union in 1959, as one of the first group of British exchange students to go to Moscow University. It happened – but he believes "not just by chance" – that Khrushchev's religious persecution began exactly at that time. Before that there had been a period of relative religious liberty after Stalin turned to the Church for support during the Second World War. "The curiosity is," says Bourdeaux, "that Stalin ended up almost as the protector of the Church. It was relatively flourishing on the day he died: there were more churches open then than at the end of 1989." And – another thing one can learn from his book – there were an awful lot more open at the end of 1989 than there had been at the end of 1988.

The following statistics for the opening of new parishes were given by Metropolitan Vladimir of Rostov and Novocherkassk to the Council of Bishops of the Russian Orthodox Church in October 1989: 1985 3; 1986 10; 1987 16; 1988 80; 1989 (first nine months) 2,815.

Not surprisingly, Bourdeaux had concluded by last autumn that under President Mikhail Gorbachev "there has been an absolutely basic change in Soviet religious policy." There is, he told me in January 1990, "no sector of Soviet society that has benefited more from perestroika than the religious." It was that transformation that he set out to describe in his book: a very joyful task for a man, now aged 56, who had devoted virtually all his adult life to chronicling the persecution of religion in the Soviet Union and the resistance to it. It was for that purpose that, in 1970, he founded the research centre which, as Keston College, rapidly became the most important source of information on all aspects of Christian life and activity in the Soviet Union and eastern Europe – at least until the last two or three years, when the Soviet Union's own media have begun devoting serious coverage to religious affairs.

Eight previous books of Michael Bourdeaux's were devoted to making known in the outside world the struggle of Russian and other Soviet Christians. The best known, Risen Indeed, published in 1983, contained these prophetic words: Stalinism delivered a body blow to Marxism, in my opinion, from which it will not recover. Present harsh policies towards non-conformists, be they internal to 'Helsinki monitors' or external Polish Solidarity activists, are the thrashings of death-agony rather than determined surges of inward strength. Yet even in the West it was often a struggle to get his books published, and Bourdeaux still speaks with quiet bitterness of the reluctance of much of the official church establishment to take any real interest in the sufferings of Christian dissidents in the communist world.

'No sector of Soviet society has benefited more from perestroika than the religious'

Last week amends were made, somewhat belatedly, when Cardinal Basil Hume, the Roman Catholic Archbishop of Westminster, chaired an international conference on "Believers, Society and State in Central and Eastern Europe" at Ampleforth Abbey. It was a conference Bourdeaux himself had begun planning, early in 1988, with Father Leo Chamberlain, the senior history master at Ampleforth College. Neither could have imagined at that time how completely the Soviet and east European scene would change by the time the conference was held, making it possible not only for Hungarian, Polish, Soviet and Yugoslav Christian activists to attend but also for Czechs, East Germans, Romanians and Slovaks who in 1988 would have been most unlikely to obtain exit visas.

The result was a very joyful gathering of Christians from all over eastern Europe, and from many different denominations, in the appropriate setting of the great Benedictine monastery on the edge of the Yorkshire Moors. Joyful, but hardly triumphant. Although western participants were eager to learn from the example of people like Alexander Ogorodnikov, Vladimir Poresh, Irina Ratushinskaya and Bishop Pavlo Vasylyk – all Christians whose faith withstood the harsh test of the Soviet prison system – the east Europeans themselves were acutely conscious of the moral and social wasteland left behind by communism, of the churches' distinctly patchy record, of the gap between their educational and organisational weakness and the miracles now expected of them by the people, and of the "seven other devils," ranging from pornography and drugs to nationalism and antisemitism, which are now pressing to enter in where the communist devil has been cast out. Both sides, for that matter, were well aware that western capitalist society, the model which so many East Europeans are now eager to adopt, is hardly synonymous with the imitation of Christ.

Almost all the East European participants had been the victims not only of persecution or harassment by the state but also of neglect, betrayal or actual repression by their own church leadership. Eastern Orthodox churches, with their long history of involvement with the state, were perhaps especially vulnerable to communist intimidation and manipulation. (How would the C of E have fared in a communist Britain, one wonders.) And it is clear that in the Soviet Union, at any rate, the problems caused by this are far from over.

Even the statistic quoted above, for Russian Orthodox churches opened or reopened in 1989, is not as straightforwardly encouraging as it may look. A disproportionate number of these, it turns out, are in the western Ukraine, where the Orthodox hierarchy is fighting a vicious rearguard action against the revival of the "Greek Catholic" or Uniate church. This church, which follows the eastern rite but accepts the authority of Rome, was forcibly merged with the Russian Orthodox by Stalin in 1946. In reality it continued to operate clandestinely, and in the past few years has reappeared in public, clearly enjoying massive popular support.

Now the picture has been further complicated by the reappearance of the Ukrainian Autocephalous Orthodox Church – Orthodox in doctrine but rejecting the jurisdiction of the Moscow Patriarchate – which existed during the brief period of Ukrainian independence in 1919-22. The prevailing confusion can be gauged from the fact that, of two Greek Catholic leaders from the Ukraine who were at Ampleforth last week, one expressed the hope that the Autocephalous Church would in due course merge with his own to form "one local Ukrainian church," while the other declared that its appearance in Greek Catholic areas was "clearly a manipulation of the KGB."

If the Church in eastern Europe, once known as "the Church of Silence," is now extremely audible, that is thanks to the victory of pluralism over a would-be monopoly of truth. So one should not be surprised – one should perhaps even be reassured – that it is speaking with more than one voice.

**Gorbachev, Glasnost and the Gospel, by Michael Bourdeaux (Hodder & Stoughton, £13.95 hardback; £8.99 paperback.)*

FINANCIAL TIMES
Tuesday September 4 1990

REPUBLIC ATTACKS MOSCOW

Russians aim to accelerate reform plans

By Leyla Boulton in Moscow

MR IVAN SILAYEV, the Russian Prime Minister, yesterday presented a radical economic reform programme to the Russian Parliament aimed at speeding up the pace of economic reform.

Mr Silayev, who was addressing the Russian parliament, presented proposals drawn up by Mr Boris Yeltsin, the republic's president.

Both men urged the parliament to forge ahead with economic reforms in order to ditch Soviet "dictatorship" which they said had brought poverty and misery.

They also called on deputies to approve a plan that would create the basis of a market economy within 18 months to two years, without waiting for the central Soviet Government to act.

Mr Yeltsin said the programme, with a launch date of October 1, could form the basis for an economic accord between Soviet republics, even though the Russian parliament cannot impose its decisions beyond its borders. But in effect, the programme amounted to a stinging critique on the more centralised plan offered by Mr Nikolai Ryzkhov, the Soviet Prime Minister.

Russian Federation president Boris Yeltsin talks to deputies at the opening yesterday of the autumn parliamentary session

Mr Silayev called for curbing the powers of Gosplan, the highly powerful state central planning agency, and a radical cut in the number of all-Union ministries.

He accused the Soviet Government of wanting to keep the basic government structure in place until 1992 and relying on old-style administrative methods to launch a market economy.

Mr Silayev plan's for the transition to a market economy was formulated by a group of experts under economist Stanislav Shatalin. It was discussed by President Mikhail Gorbachev and Mr Yeltsin at a meeting last week.

A final draft on economic reform is due to be presented to the parliaments of all Soviet republics at the end of the week, but it is not yet clear whether it will combine the expert group's proposals with Mr Ryzhkov's.

It was that programme with which Mr Silayev found fundamental differences. It was, he argued, centred on measures to stabilise the Soviet economy. The Soviet Government wanted to start the transition to a market economy with price rises in order to soak up surplus money floating around the economy.

Mr Silayev said the Russian programme, which Mr Gorbachev wants to combine with "the best elements" of the Soviet Government's one, would achieve financial stabilisation through the sell-off of state enterprises, housing, and land.

Soviet officials, however, have denied that their financial stabilisation measures would focus exclusively on price rises. One said that the Government wanted, for instance, to raise interest rates on savings accounts. The Government has already enacted laws for selling off state property.

Mr Yeltsin said at the weekend that Mr Ryzhkov had to resign for market reforms to be successful.

● An opinion poll published by the independent news agency Interfax said yesterday that Mr Yeltsin had overtaken Mr Gorbachev as the country's most popular politician. It said 47.1 per cent of those interviewed saw Mr Yeltsin as the country's "most prestigious politician."

Tass said yesterday that Mr Gorbachev had set up several teams to deal with urgent tasks, including one to bring in the harvest and "normalise" food supplies for big cities.

Another team, headed by Mr Yuri Maslyukov, the deputy prime minister, who is responsible for Gosplan, would oversee the fulfilment of contracts between regions and the centre, and between enterprises.

● Mr Gorbachev needs the continued support of Mr Yeltsin, who has said the Russian Parliament would go it alone on economic reform if nationwide proposals were not radical enough.

Mr Gorbachev, who is certainly loved abroad more than he is at home, was said to be the first choice of just 18.4 per cent of the population, compared to 36.2 per cent last year.

Interfax said the poll was carried out in July by the national Centre for Socio-Political Studies.

Ukraine strains at bonds of empire, Page 8

Deutsche Aerospace urges European links in key sectors

By Paul Betts and David White in Farnborough

DEUTSCHE AEROSPACE, the newly reorganised West German aerospace group controlled by Daimler Benz, is pressing other European aerospace companies to set up permanent corporate links in a range of key activities including military aircraft, helicopters and small passenger airliners.

The strategy spelt out by Mr Johann Schäffler, head of Deutsche Aerospace's aircraft operation, yesterday demonstrates the new assertiveness of West Germany in an industry which had previously been dominated in Europe by Britain and France.

He made clear that the West Germans wanted to build on the Airbus model of setting up joint industrial ventures that went beyond ad hoc agreements to collaborate on individual projects.

In helicopters, Mr Schäffler said the merger of Deutsche Aerospace's helicopter interests, part of its Messerschmitt Bölkow Blohm subsidiary, with those of Aerospatiale of France would be completed by the end of this year. This would create a new helicopter company called Eurocopter.

But Mr Schäffler said the Germans and the French already wanted to start negotiations with Westland of the UK and Agusta of Italy to bring the two other European helicopter manufacturers into the new European alliance.

Proposals for a European takeover of Westland were the cause of a UK Cabinet crisis in 1986. At that time, Sikorsky of the US took a minority stake in Westland.

Sikorsky yesterday said it viewed its Westland association as long term. But it also said that, like other US aerospace groups, it was being encouraged by the US Government to forge alliances with other European partners.

Sikorsky yesterday announced that MBB would participate in its joint bid with Boeing for a Pentagon project for a new US reconnaissance and light attack helicopter, the LHX.

In the military aircraft field, Mr Schäffler said he felt the formation of a European company which included the French and the four Eurofighter partners (the UK, Germany, Italy and Spain) would be politically difficult and would take time.

But he said a first step could be to merge the Panavia company in charge of the Anglo-German-Italian Tornado with a four-nation Eurofighter company.

In the longer term, the next step would be to link them with Dassault of France.

The West German group is particularly interested in developing a European partnership for small commuter aircraft and a regional turbo-prop and jet airliner.

Mr Schäffler said he doubted this could be done by the Airbus association, because some of the Airbus partners were direct competitors in this market.

But he said there were too many manufacturers of small airliners in Europe and that there was probably room for two or three groupings.

He argued that it was urgent to consolidate the European small airliner industry to fend off a possible entry into the market by a leading US airframe manufacturer and to counter competition in this field from the developing world.

Li 'abused position as HK exchange chairman'

By Angus Foster in Hong Kong

MR RONALD LI abused his position as chairman of the Hong Kong Stock Exchange and acted corruptly to make substantial profits for himself, the High Court in Hong Kong heard yesterday.

Mr Michael Kalisher QC outlined the crown's case against Mr Li at the start of what is expected to be a long and well-publicised trial.

Mr Li, 60, faces two charges of accepting shares in Cathay Pacific Airways, the territory's flag carrier, and Novel Enterprises, a local garment manufacturer, in return for supporting or not delaying the granting of a listing of the two companies on the stock exchange in 1986 and 1987 respectively.

Mr Li pleaded not guilty on both counts.

Mr Kalisher said Mr Li had earned considerable public standing after he was largely responsible for the unification of Hong Kong's stock exchanges in April 1986. However, in spite of his standing, Mr Li was not entitled to use his position for personal profit.

"With sorrow, but with confidence, the crown alleges that is precisely what Li did. His motive, in common with most people high and low who act corruptly, was personal greed," Mr Kalisher said.

On the count of accepting shares in Cathay Pacific, Mr Kalisher said Mr Li knew by virtue of his position as convener of the stock exchange's listings committee that no shares would be made available to local brokers or normal underwriters when the company was listed in May.

Cathay Pacific had agreed with its joint advisers, Baring Brothers and Wardley, a subsidiary of Hongkong and Shanghai Banking Corporation, in the lead-up to the issue that the only placement of shares was to be made to the local Hysan Development and a company jointly owned by Cheung Kong and Hutchison Whampoa, the two main quoted groups in the corporate empire of the tycoon Mr Li Ka-shing.

A special category of sub-underwriters, which did not include local brokers, was to be the only group which would receive preferential allotments of shares. Nevertheless, Mr Kalisher said, Mr Li in his private capacity telephoned certain merchant bankers involved and asked for shares for himself.

"He got a preferential allocation of half a million shares, not available to his colleagues on the stock exchange, not available to the general public. On those shares alone he made a profit of close to HK$800,000 ($103,017)," Mr Kalisher said.

In the case of Novel Enterprises, he said, the defendant knew from documents available to him that there was no proposal for any placement of shares to any brokers, or to any person not closely connected to Novel or to its managing director.

However, Mr Kalisher said that, in March 1987, Mr Li made a telephone call to merchant bankers advising Novel and asked for shares for himself. He was allocated 300,000 shares. He did not sell all of these but those that he did sell made him a profit of nearly HK$80,000.

The case continues.

Stage is set for rumours in London's theatreland

By Andrew Hill in London

LONDON'S theatreland in the West End is always a hotbed of gossip. But the death at the weekend of Mr Robert Holmes à Court – the Australian businessman who controlled more West End theatres than anyone fuelled some particularly intense speculation.

At the centre of the rumours is the future of Stoll Moss Theatres, a subsidiary of Heytesbury (UK), Mr Holmes à Court's British investment vehicle.

According to some sources, the US and British vultures are already wheeling over Stoll Moss's 13 theatres: from the Coliseum, home to English National Opera, to the Theatre Royal, Drury Lane, where the hit musical Miss Saigon is playing.

Heytesbury's Australian parent has so far confined itself to a short and dignified statement: Mrs Janet Holmes à Court, the entrepreneur's widow, and her eldest son Peter will continue to run the businesses and develop them "in the way the late chairman would have wished."

The UK subsidiary's directors yesterday departed for Australia to attend the funeral, which is expected to take place tomorrow afternoon.

Mr Holmes à Court, 53, who died of a heart attack on Sunday, was one of the biggest losers of the stock market crash in October 1987.

After taking his operations private he also became the largest pastoral property and cattle owner in Australia. He started to build his West End theatre empire in 1982.

As far as Stoll Moss's competitors are concerned, any drama about control of the group's assets has yet to begin.

They were quick to express their condolences yesterday, and pointed out that the theatres, however attractive, had not been put up for sale.

Chesterfield Properties, the property investment and development group, beat Mr Holmes à Court to ownership of Maybox, which controls six West End theatres, after a battle at the beginning of last year. Chesterfield now owns eight London theatres.

Mr David Kiernan, the group's finance director, said yesterday: "I'm not aware we have any intention to buy the Stoll Moss theatres. But there are always people prepared to pay a special price for assets such as those, because they are in very short supply."

Theatre management has its attractions but it is often considered a business for enthusiastic entrepreneurs like Mr Holmes à Court or impresarios.

The downside is limited – theatre producers not managers carry almost all the risks involved in staging a production - but profits are also restricted, because even the most successful show can sell only a set number of tickets.

WORLDWIDE WEATHER

		°C	°F			°C	°F
Ajaccio	S	25	77	Berlin	S	20	68
Algiers	S	29	84	Biarritz	S	22	73
Amsterdam	S	21	70	Bombay	F	30	86
Athens	S	31	88	Bordeaux	S	27	81
Bahrain	C	36	97	Boulogne	F	22	72
Bangkok	F	32	91	Brussels	S	22	73
Barcelona	F	27	81	Budapest	F	20	68
Beirut		—	—	Buenos Aires	F	13	57
Belfast	F	17	63	Cairo	S	33	93
Belgrade	C	22	72	Cape Town	S	17	64

		°C	°F			°C	°F
Caracas	C	29	84	Faro	S	27	82
Casablanca	S	25	77	Florence	F	27	82
Chicago	S	17	63	Frankfurt	C	16	61
Cologne	[illegible]	17	63	Geneva	S	22	73
Copenhagen	R	15	59	Gibraltar	S	27	81
Corfu	F	27	82	Glasgow	F	15	59
Dallas	F	22	73	Helsinki	C	13	57
Dublin	C	16	61	Hong Kong	C	27	81
Dubrovnik	F	26	79	Innsbruck	R	13	57
Edinburgh	F	16	61	Inverness	F	15	59

		°C	°F			°C	°F
Islamabad	F	35	95	Madeira	F	25	77
Istanbul	S	27	82	Madrid	S	[illegible]	[illegible]
Jakarta	R	30	86	Majorca	S	27	82
Jersey	S	23	75	Malaga	S	27	81
Johannesburg	R	10	50	Malta	S	29	84
Lima	C	17	63	Manchester	F	17	63
Lisbon	S	26	79	Manila	C	30	86
London	C	23	73	Melbourne	F	11	52
Los Angeles	S	17	63	Mexico City	C	22	72
Luxembourg	C	19	66	Miami	F	26	79

		°C	°F			°C	°F
Milan	F	23	73	Nicosia	S	29	84
Montreal	S	12	[illegible]	Oporto	F	20	68
Moscow	C	12	54	Oslo	R	12	54
Munich	R	12	55	Paris	S	25	77
Nairobi	C	22	72	Peking	R	19	66
Naples	F	27	82	Prague	F	17	63
Nassau	F	32	91	Reykjavik	C	7	45
New Delhi	S	32	91	Rhodes	S	29	85
New York	C	21	70	Rio de Janeiro	C	32	90
Nice	S	25	77	Rome	S	26	79

		°C	°F			°C	°F
Salzburg	R	12	55	Tenerife	F	26	79
San Francisco	S	16	61	Tokyo	C	29	84
Seoul	C	23	75	Toronto	S	11	52
Singapore	F	30	86	Tunis	F	30	86
Stockholm	C	15	59	Valencia	S	29	84
Strasbourg	R	16	61	Venice	F	25	77
Sydney	F	17	63	Vienna	R	17	63
Taipei	[illegible]	32	91	Warsaw	C	12	54
Tangier	F	30	86	Washington	S	23	73
Tel Aviv	S	30	86	Zurich	R	16	61

Temperatures at midday yesterday C—Cloudy Dr—Drizzle F—Fair Fg—Fog H—Hail R—Rain S—Sunny Sl—Sleet Sn—Snow T—Thunder

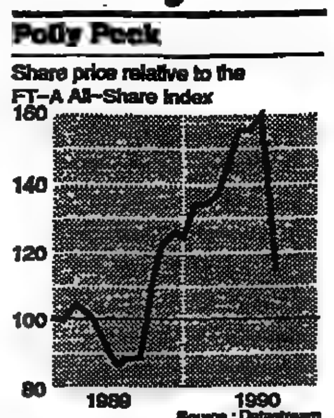
THE LEX COLUMN

The pips squeak at Polly Peck

If Mr Nadir harboured the notion that yesterday's interims would wipe the slate clean with the City, he must think again. Whatever the regulatory consequences of his bid-that-never-was for Polly Peck, the affair pushed into the foreground once more doubts about its quality of earnings. The interim bottom-line progress looks impressive enough: earnings per share up nearly 30 per cent, with Del Monte fresh fruit bringing in £29m of taxable profits, and the electronics businesses apparently doing well. What rankles is the group's net borrowings, at £864m, compared with £800m at the year-end. Not only does this make it harder for the uninitiated to see how Mr Nadir would have financed his buy-out. It also raises the question of when precisely the debt will drop substantially.

At an operating level, Polly Peck seems to be functioning well, with an improvement in pre-tax margins in electronics, from 7 to 8 per cent, notwithstanding losses at Sansui. Working capital is apparently under control, with net current assets up only £40m. The doubts surround the capital spending, at £108m in the first six months, and the group's small net interest charge of only £18m. It remains very hard for the outsider to see how the latter is sustainable. As for the capital budget, only half apparently went on Polly Peck's Turkish and Cypriot leisure projects, which raises the question of exactly what the remainder is doing.

Granted, Polly Peck's shares may appear inexpensive, at about 6 times likely 1990 earnings. But hard cash is what counts. And it is difficult to see Polly Peck buying any shares back, given the present leveraged state of its balance sheet.



Thorn EMI

The on-off switch has been flicking up and down at Thorn EMI. The break off of talks with GTE Corporation over the sale of the lighting division cost the shares 5 per cent of their opening price and the management some explanations. A business which was core to the group's strategy a year since was deemed three months ago to be requiring prohibitive amounts of investment. Now it is considered worth keeping so long as the bulbs business can be cut back and some alternative supply arrangements fixed up.

It is somewhat reminiscent of the tale of the defence division, which was up for sale last year but found no buyers at a decent enough price. That was then found to have a future through a narrowing of its range.

The two proposed sales had been expected to raise £300m or more each. So Thorn is missing out on cash which it could have diverted to businesses about which it can be more convincing. As far as lighting goes, had that price been achieved, Thorn would have made more from the money than it does from the business.

Although the balance sheet is by no means under strain and Thorn has successfully rid itself of numerous activities, its intention of achieving a clear business concentrated on music and rentals is being undermined. The clutter of not-quite-core interests must divert management energies, and morale in the divisions themselves cannot be high. Worse for investors, it deprives the shares of the sort of rating which US music businesses have achieved.

Sterling

One moment the pound is riding high as a born-again petro-currency; the next it is looking hopelessly vulnerable, in a sea of agitation about the timing and consequences of ERM entry. Compared with the mini-collapse last Friday, yesterday saw only a mild case of trading jitters, with sterling down more than 2 cents against the dollar as profit-taking continued. Against the D-Mark, however, it dropped by less than 2 pfennigs, so at least one message was clear. Now that the pound has failed to sustain a level above DM3, the market thinks it is properly valued between DM2.95 and DM3, until there is firm news either from the Gulf or the UK Government.

The speculation on imminent ERM entry, which caused the pound to be dumped on Friday, has given impetus to the idea that the short-term effect of such a move will be negative for sterling. In turn, that has given new credibility to the thought that the best way for the Government to manage ERM entry might be first to effect a ½ point base rate cut, easing domestic pressure and bringing the pound down to a more realistic level, say DM2.90.

Unfortunately, yesterday's evidence of 2.7 per cent year-on-year growth in retail sales and the prospect of a double digit autumn wage round do nothing to reinforce the view that a UK recession is looming. The inflation outlook remains bleak for the rest of the year. If the government tests the market's patience and does not take the pound into Europe this autumn, the next stop will be DM2.70.

Aerospace

Canapes, champagne and South Korean airline orders notwithstanding, the Farnborough air show seems to have lost some of its glamour for the City. To be sure, yesterday's 2 per cent rise in British Aerospace shares, on the news that Airbus Industrie will move out of the red in 1990, smacked of the good old days, when the event could be relied upon to produce bullish announcements. But the striking thing this year has been the absence of the traditional Farnborough effect, in which aircraft and aero-engine makers' share prices would run up steeply in late summer.

In 1982, the BAe share price went up 20 per cent in August; in 1986, it rose 10 per cent, and in 1984 it managed to go up by a tenth in one week's trading before the show. By contrast, and even with the Gulf crisis to prop them up, 1990 has seen both BAe and Rolls-Royce shares drifting mostly downwards for the last five weeks. Nor is the point academic. Though Guinness Peat Aviation's $3.5bn order yesterday for McDonnell Douglas aircraft says something positive about demand, the stock market's reluctance to get excited about Farnborough is another indicator that expectations about industry-wide profits from civil aviation are being scaled back.

The Airbus news is still worth having, nonetheless. Few analysts had been factoring in expectations of Airbus making a profit before 1992 at the earliest; and given that BAe's civil aircraft side made a trading profit of only £15m in 1989, the boost from an early release of Airbus earnings could be substantial.

FINANCIAL TIMES
COMPANIES & MARKETS
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Tuesday September 4 1990

Thorn lighting sale falls through

By Michael Skapinker in London

THORN EMI of the UK said yesterday that the proposed sale of its lighting division to GTE of the US had fallen through. The British music, rentals and technology group said it would now hold on to the business and attempt to make a success of it.

The announcement is something of an embarrassment for Thorn, which said last May that its lighting interests were too small to survive in an increasingly international market. A year before that, Mr Colin Southgate, the chairman, said strong internal growth and acquisitions had brought "our goal of being the world's pre-eminent supplier of lighting solutions within reach."

GTE and Thorn said yesterday that negotiations had been called off because of failure to agree on the terms of the transaction. Thorn's statement blamed "an increasingly uncertain economic climate" and indicated that the decision to end the discussions had been taken by GTE. Neither side would reveal how much Thorn had asked for the business, but analysts' estimates ranged from £300m ($561.9m) to £350m.

The proposed sale of the lighting business was criticised by some Thorn shareholders at the group's annual general meeting last July. One former employee expressed anxiety over the sale of a business with which Thorn had been associated since its was started in the 1920s by Sir Jules Thorn, an Austrian immigrant. Mr Southgate said, however, that underinvestment in the 1960s and 1970s meant that Thorn's lighting interests were not internationally competitive as they were too narrowly focused on the UK.

In a statement issued by the company, Mr Southgate reiterated that "our cost structure, comparatively low plant efficiencies and restricted volumes make it difficult for us to produce an adequate return on the investment, let alone the return which would be required to take the business forward."

He added that although Thorn was a world leader in light fittings, it would have to withdraw from some of its lamp manufacturing activities.

Thorn said that since the beginning of the year it had reduced its UK staff numbers by 800 – about 10 per cent of the lighting workforce.

Mr Michael Metcalf, the finance director, said: "Yes, it is embarrassing, but we don't part with a business unless we think we can get proper value for it."

Thorn announced earlier this year that it had abandoned attempts to sell its defence electronics business because it could not persuade potential buyers to pay what Thorn thought it was worth.

Mr Metcalf said there was no immediate prospect of selling the lighting division to one of the other international companies, such as Philips of the Netherlands or General Electric of the US. "It could be that somebody charges through the door tomorrow, but I don't think it's particularly likely," he said. "The natural partner to our eyes was GTE."

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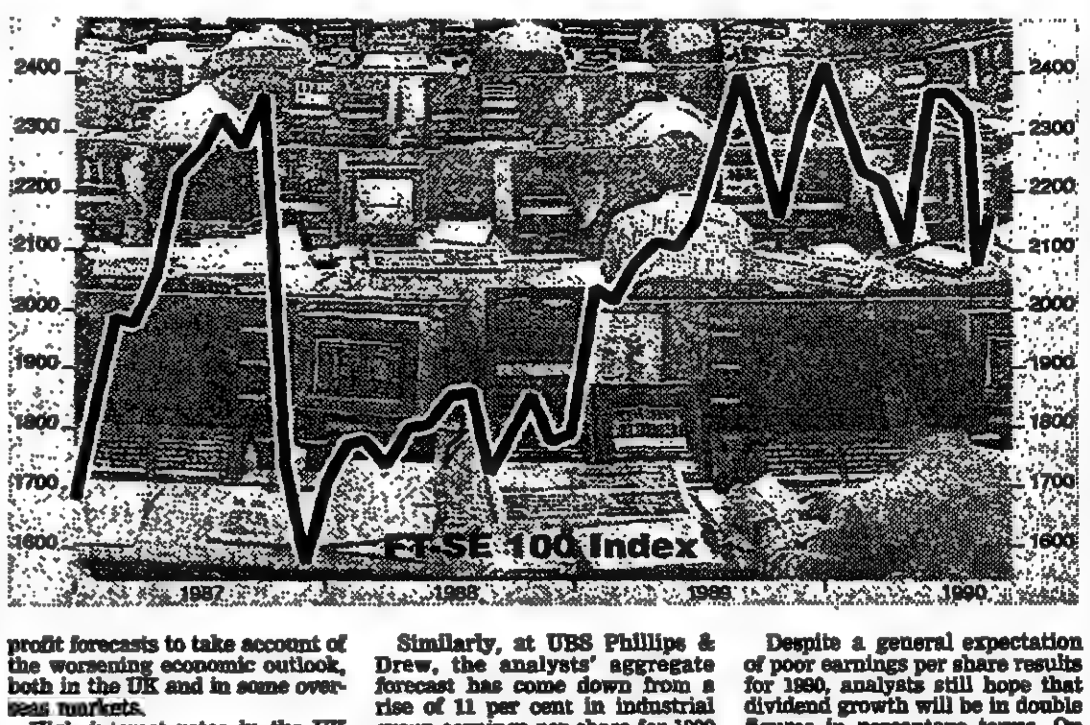
Dark horizons ahead for UK companies

Maggie Urry assesses the prospects for the results reporting season



As the UK's publicly-quoted companies prepare to announce their half-year results over the next few weeks, the stock market faces a testing time.

Many profits announcements are likely to prove disappointing. Even if the first-half figures do not look too bad, company chairmen may use the opportunity to make cautious statements about second half trading. The UK economy will be significantly weaker in the second-half of the year and the Gulf crisis has raised sharply the level of uncertainty.

Last week Alfred McAlpine, the construction and housebuilding group, gave just such a warning. Although it recorded a rise in pre-tax profits of 10 per cent in the first half, it warned of a "substantial" fall in profits for the year, causing shares to fall by 39p to 292p on the day.

"There are probably going to be a fair few disappointments in this interim season," says Ms Kate Gimblett of James Capel's equity strategy team. S G Warburg Securities points out that there could also be heavy revisions to forecasts for 1991 after consideration of interim results published now.

Mr Simon Clegg, managing director of UK research at Hoare Govett, thinks the UK corporate sector as a whole will see a fall of 4 per cent in pre-tax profits in the first half of the year, and a 6 per cent fall in earnings per share. Part of the problem will be a sharp rise in companies' interest charges, which Hoare Govett thinks could be up by a quarter because of higher interest rates and increased borrowings.

Brokers' analysts have been steadily downgrading their profit forecasts during the summer across a wide range of companies. Half-year announcements are a timely moment to reassess a group's prospects, both for the current and following financial year. Indeed, the biggest revisions to profit forecasts usually take place between July and October.

The Gulf crisis is one reason for cutting forecasts. Last week Barclays de Zoete Wedd reworked its 1991 forecasts for the stocks in the FT-SE 100 index to take account of the higher level of sterling since the Iraqi invasion of Kuwait last month. Since almost half of UK corporate profits are made abroad or through exports, a rising pound has a marked effect on the results companies will report.

BZW reduced earnings estimates, in some cases only slightly, for 59 of the 100 stocks in the 1990 year, and for 70 in 1991. Estimates for 1991 earnings were cut by more than 5 per cent for one-fifth of the stocks in the index. Even these figures do not fully reflect the negative impact of sterling's rise, says BZW, as "the adverse impact on export profitability is not fully reflected in these figures."

But even before the Gulf crisis, many brokers were downgrading profit forecasts to take account of the worsening economic outlook, both in the UK and in some overseas markets.

High interest rates in the UK have begun to slow the economy down. Weakening demand has led to running down stock, yet pay increases are still high, putting margins under pressure. The worsening US economy is bad news for British groups with US subsidiaries.

Many stockbroking firms find that their economists take a gloomier view of corporate earnings per share growth in 1990 than the aggregate of their analysts' forecasts suggest. Sector analysts are often unwilling to cut their profit forecasts for individual companies, but economists hold no affection for the corporate sector as a whole.

At BZW the "top down" view of the strategists is for static earnings per share from the industrial group of the All Share Index. The "bottom up" combination of analysts' forecasts suggests a 4 per cent growth in earnings, even after a 6.2 percentage point cut over the last three months.

Similarly, at UBS Phillips & Drew, the analysts' aggregate forecast has come down from a rise of 11 per cent in industrial group earnings per share for 1990 to plus 7 per cent by July and plus 5 per cent now. The strategists' view is that earnings will fall by 1 per cent in 1990.

The industrial group excludes the oil sector – one of the few beneficiaries of higher oil prices – and financial stocks, so the overall market improvement may be greater than for the narrower measure.

Mr Mark Brown, chief UK strategist at UBS P&D, says: "The analysts are coming down every day." He has looked at the pattern of forecasts for annual earnings growth since 1976. His study suggests that while the analysts' forecasts are generally more accurate when profits and earnings are rising strongly, the economists are more accurate when earnings are falling in real terms.

The current year will prove, Mr Brown argues, to be the first year of negative real earnings growth since 1980 – and he fully expects the UBS P&D analysts to bring their forecasts down to his level.

Despite a general expectation of poor earnings per share results for 1990, analysts still hope that dividend growth will be in double figures in percentage terms. On Mr Brown's forecasts of 5 per cent dividend growth and a 1 per cent fall in earnings per share, dividend cover for UK industrial companies would fall to 2.3 times, a level which many would see as near the limits of prudence.

Companies may look at the share price of Imperial Chemical Industries since it announced towards the end of July that it was only maintaining its interim dividend. The shares had fallen 196p to 911p by Friday's close since the morning of the announcement.

Although the outlook for corporate profits might seem gloomy, bulls argue that the sharp fall in the market since the invasion of Kuwait has brought it down to levels where price earnings ratios are not high historically.

A peaceful solution in the Gulf would put the market on a better footing. But it takes a powerful pair of binoculars to spot much encouraging corporate news on the horizon.

Polly Peck jumps by 72% to £110.5m

By Clay Harris in London

POLLY PECK International, the UK-based food and consumer electronics group which has been buffeted by controversy in recent weeks, tried to turn over a new page yesterday with first-half results that exceeded market forecasts.

Pre-tax profits jumped by 72 per cent from £64.4m ($121.9m) to £110.5m in the six months to June 30, as Polly Peck received the first full half-year contribution from Del Monte's tropical fruits business for which it paid £557m last year.

Polly Peck sweetened the news with a 21 per cent increase in interim dividend, but its shares closed 6p lower at 285p, a weakness attributed by one analyst to the US market holiday.

Mr Asil Nadir, chairman and chief executive, shed no more light on his decision last month to propose, and then to withdraw, a conditional takeover offer for the company. He repeated he had not proceeded further because of "strong representations from a number of significant shareholders" which "felt it would not be in their interests to accept a bid when Polly Peck's potential was still, in their view, capable of considerable further development."

Noting that he had been admonished by the Stock Exchange's quotations panel, Mr Nadir said, with carefully chosen words: "I regret that anything I did could be the subject of any criticism." He is making representations to the panel about statements in its report he believes to be inaccurate.

Mr Nadir yesterday gave a "categorical" denial when one analyst asked if he was under investigation. That was the only diversion from the results during questions from more than 50 analysts at Polly Peck's Berkeley Square headquarters.

Flotations of further subsidiaries are on the cards. In an effort to translate their underlying value into Polly Peck's own share price, the company was eager to demonstrate the success with which the strategy had already been applied.

Its majority holdings in Sansui and Vestel, electronics companies listed in Tokyo and Istanbul respectively, have a combined market value of £660m, or 156p per Polly Peck share. Mr David Fawcus, finance director and deputy chief executive-designate, added that if the stakes were carried in the balance sheet at market value, rather than acquisition cost, net asset value per share would rise to 360p.

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INSIDE

UK group in DM90m German deal

Redland, the British building materials group, is paying DM90m ($57.12m) for the German businesses of Schiedel which has about 40 per cent of the domestic chimney market. Redland is already the largest producer of concrete roof tiles in West Germany and Schiedel is the country's biggest manufacturer of prefabricated chimneys. Redland's finance director, Gerald Corbett (left), said Schiedel was well placed for growth in East Germany. Page 22

Tougher times down under

Mixed results at several leading Australian industrial companies testify to the difficult trading conditions experienced in the past year. Nevertheless Amcor, the diversified packaging group which is increasingly more active overseas, saw net earnings rise 26 per cent to A$166m (US$135m)and MIM Holdings, the leading metals miner, reported a 45 per cent advance in profits despite a poor final quarter. An 8 per cent decline in its second-half earnings held back building group Boral to a full-year profits rise of only 4.3 per cent. Page 25

Emess profits fall by 27%

Interim pre-tax profits at Emess, the UK lighting and electrical fittings group, have fallen 27 per cent – the first such decrease in 20 years. They were hit by sterling's strength against the dollar and D-Mark, a £2.1m ($3.97m) turnround in interest charges and by a £500,000 exceptional provision for money owed on an Iraqi order which was completed two years ago. Page 30

Japanese build Lego to the sky

With a reputation as an empire builder of railways, dams and nuclear power stations, Kajima Corporation, one of Japan's leading construction groups, now hopes to build a giant Lego-style 200-storey, 800m high skyscraper. By applying the principle of piling 50-storey blocks one on top of another, Kajima hopes to create a "dynamic intelligent building" which will act as a showcase of technological expertise embracing elaborate plans for water recycling, elevators and earthquake-proofing. Robert Thomson reports. Page 24

Harvesting the harvesters

There is no shortgage of farm workers in East Germany. Of the 1m people responsible for cultivating and harvesting the country's impressive-looking crops including grain, sugar beet and potatoes, it is estimated that only one in four is really needed. On a recent trip to East Germany, David Richardson found his first impressions of well-structured and efficient farming were illusory. In his Farmer's Viewpoint he reports on the big upheavals looming just below the surface. Page 31

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Moulin-Gerlin	510	–	20
Rises				Peugeot S.A.	547	–	23
Colonia Versich	1130	+	20	Sagem	1460	–	80
Dragerwerk	320	+	15	Union Immob Fr	575	–	25
Preussag	346	+	10.2	**TOKYO (Yen)**			
Falls				**Rises**			
Hoesch	258.3	–	8.7	Chuo Woolen	600	+	50
Rheinmetall	323	–	6	Mitsuba Elect	1320	+	120
Zanders Fein.	267	–	8	Tamura	1250	+	110
PARIS (FFr)				**Falls**			
Falls				Fujikura Kasei	1260	–	140
Eurocom	1585	–	65	Hanshu Paper	4380	–	500
Matra S.A.	260	–	17	Mitco	1280	–	200

New york Closed.

LONDON (Pence)							
Rises				**Falls**			
Anglia Sec.	36	+	6	Boots	294	–	4
Brit. Aerospace	544	+	12	Caird	152	–	10
British Gas	225½	+	13	Erostie	58	–	17
LASMO	500	+	13	Frogmore	285	–	9
Micro Focus	763	+	20	Fairbriar	4	–	6
Persimmon	163	+	9	Goodhead	71	–	5
Racal Telecom	298	+	6	Kingfisher	340	–	4
Reuters	849	+	11	Polly Peck Intl	285	–	6
Shell Trans.	486	+	14	Thorn EMI	623	–	34
STC	247	+	5				
Smithkline Bchm	535	+	8				

Continental sees 29% drop in interim profits to DM100m

By John Griffiths in London

A PLUNGE of 29 per cent in first-half pre-tax profits at Continental, the West German tyre and rubber products group, yesterday underlined the deteriorating financial climate now facing most of the world's tyre industry.

Conti's DM100.5m ($63.1m) pre-tax interim compares with DM165.5m in the first half of last year, despite sales being up marginally to DM4.04bn, from DM3.97bn.

The group, which is the world's fourth largest tyre maker, warned that its earnings for the full year will fall "significantly short" of 1989 when it made DM227.8m net.

Conti's warning echoes similar gloomy predictions from others among the "big six" tyre companies, who between them control more than 85 per cent of the world tyre market, against a background of an industry price war and increasing overcapacity.

M. François Michelin, chairman of the French group has warned that Michelin faces three or four "difficult years" in which losses cannot be ruled out.

Goodyear of the US made a $9.4m loss in the second quarter, cutting its first-half earnings by 90 per cent to $11.5m.

Continental's other main European rival, Pirelli Tyre Holdings, has warned that its first half results – due out later this month – will be down on the same period of last year.

In his letter to shareholders, the chairman of Conti's executive Board, Mr Horst Urban, said that "contrary to all economic sense," prices of tyres supplied to vehicle makers had "fallen to such an extent that the market situation has turned into a regular price war, with no end in sight."

Conti – and probably all its competitors – was operating "well in the red" in its trade with vehicle makers, said Mr Urban. But he warned that "we see no possibility of doing without these deliveries, providing us, as they do, with the basic means of utilising our manufacturing capacity".

Conti's results come at a time when, after nearly five years of record sales and output, the European vehicle market appears to be faltering. .

Continental, which came to the brink of bankruptcy in the 1970s, has spent the past 10 years acquiring other tyre groups and forging collaborative ventures to make itself indigestible to potential predators.

Jeansson to head Volvo car unit

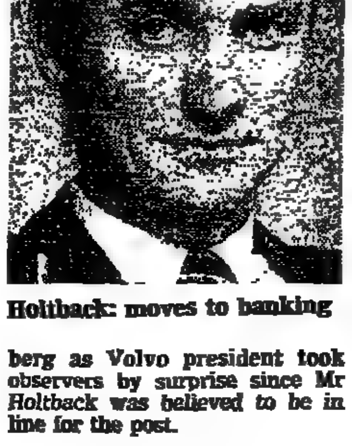
By John Burton in Stockholm

MR LENNART JEANSSON, the financial director of Volvo, was yesterday appointed head of the Swedish motor group's car division from October 1 following the unexpected resignation of its current president Mr Roger Holtback.

Mr Holtback, 45, will become head of the Gothenburg office of Skandinaviska Enskilda Banken, Sweden's largest commercial bank group.

Mr Jeansson, 49, was senior vice president of the Volvo car division between 1979 and 1986 before becoming head of financial operations.

Mr Holtback's move to the banking world after a career spent at Volvo is the reverse of Mr Christer Zetterberg, former president of PKBanken, Sweden's third largest commercial bank, who became president of Volvo in April.


Holtback: moves to banking

The appointment of Mr Zetterberg as Volvo president took observers by surprise since Mr Holtback was believed to be in line for the post.

While Mr Zetterberg had spent most of his career in the forestry industry, Mr Holtback had overseen the car division's transformation to a producer of executive class models and its expansion during the 1980s, during which sales increased from SKr12bn to SKr43bn ($7.4bn) and total volume rose 50 per cent to 400,000 vehicles.

Mr Holtback leaves at a time, however, when the car division's fortunes are in decline with operating profit tumbling to SKr1.9bn last year from the record SKr6.1bn earned in 1985, the year after he became its president.

Yesterday, Mr Holtback said the appointment of Mr Zetterberg "had not influenced" his decision to leave Volvo. Having been at the company for 21 years, "I have been contemplating a change in my professional life for the past year and I see banking as an exciting new challenge."

Bakab sells half of hydroelectric assets

By John Burton in Stockholm

BAKAB, the energy subsidiary of SCA, the Swedish forestry company, yesterday sold half of its hydroelectric assets and part of its district heating network to the government-affiliated National Pension Funds for SKr5.8bn ($1bn).

The deal is designed to free capital for current and new investments by SCA, which has been reducing its dependence on pulp and paper by acquiring European companies that produce value-added wood-based products.

SCA estimates that selling Bakab's assets will save SKr300m in annual interest costs by reducing the need to borrow in the open market.

Under terms of the complex sale-and-leaseback deal, Bakab will pay a real interest rate of 4 per cent on the money received from the pension funds plus amortisation costs on the power facilities under the partner financing scheme.

SCA will retain control of the hydroelectric power used to run its facilities in northern Sweden. The remaining power assets will be transferred to a new holding company, Nikab, in which Bakab will have a 51 per cent voting stake and 9 per cent equity and the pension funds the rest of the shares.

Bakab will buy the energy and lease the facilities to generate it at cost price. It will also provide the technical and administrative management and has the right to buy back the power assets between 2002 and 2015.

BBA buys US plastics maker

BBA GROUP, the Yorkshire-based industrial company, yesterday agreed to buy Texstar, a US maker of plastic components and composite materials, in a transaction valued at $31.8m, writes David Owen.

The deal comes about six weeks after BBA announced the $23m acquisition of Van Dusen, a US aviation services company.

Redland bolsters German presence in DM90m deal

By Andrew Taylor, Construction Correspondent in London

REDLAND, the British building materials group, is strengthening its position in the fast growing West German construction market with the acquisition of the country's biggest manufacturer of prefabricated chimneys.

Redland is the largest concrete roof tile producer in West Germany. It is paying DM90m ($57.3m) for Schiedel's German business, which has about 40 per cent of the domestic chimney market. It also has an option to purchase the company's Austrian business for DM60m.

Schiedel supplies about half the prefabricated chimneys for new homes in Austria.

About a quarter of Redland's profits this year are expected to come from West Germany where construction output, particularly housebuilding, has risen sharply during the past two years.

Housing demand has been stimulated by increased immigration from East Germany.

Mr Gerald Corbett, Redland's finance director, said housing permits in West Germany during the first six months of this year rose by 20 per cent compared with the first half of 1989.

IFO-Institut fur Wirtschaftsforschung, the independent industrial research organisation, says West Germany will be one of the few European countries to increase housing output significantly over the next 18 months.

It forecasts domestic housing output will increase by 8 per cent this year and a further 5 per cent next year.

Mr Corbett said Schiedel was establishing its first production facility in East Germany where it was well placed to take advantage of a large potential market.

Austrian and German profits of Schiedel this year are expected to rise from DM21m to about DM27m this year, an increase of almost 29 per cent.

INI appeals against Enasa bid rejection

By David Goodhart in Bonn

INI, the Spanish holding company which controls the truck company Enasa, has asked the Bonn Economics Ministry to overrule the Cartel Office's July rejection of a joint takeover of Enasa planned by MAN and Daimler-Benz.

MAN, West Germany's second largest truck maker, yesterday expressed surprise at INI's move. Since the bid was rejected by the Cartel Office MAN has pulled out of negotiations leaving Daimler to pursue a separate deal with Enasa.

MAN said that the company did not support INI's attempt to get the original deal reinstated and that therefore it was bound to fail. Daimler-Benz also expressed puzzlement at INI's request. MAN even questioned whether the application to the Economics Ministry was valid without MAN's support, which, it added, had not been sought by INI.

● Lufthansa, which will start flying to Berlin in the autumn, yesterday announced it was taking over parts of the Pan Am Berlin service. Since the Second World War inner-German flights to Berlin have been restricted to the airlines of the four victor powers.

It is not clear whether the allies will continue to enjoy the right to run an inner-German service to Berlin after unification.

Lufthansa has also purchased the name and logo of German Wings, a small Munich-based airline which filed for bankruptcy this year.

Adia reveals first half revenue up by 12%

By William Dullforce

ADIA, the Swiss services group, yesterday reported a 12 per cent increase to SFr3.1bn ($2.4bn) in group revenue during the first half of the year.

The unfavourable economic environment compared with that of the first half of 1989 had a slightly negative effect on profitability, Adia said.

It was difficult to predict final profits for 1990 as a whole.

Profits in the temporary help and personnel services in the US were 3 per cent lower than in the first half of 1989. For the temporary help market the economic climate in both the US and the UK was at present unfavourable, Adia said.

Last year, after its merger with Inspectorate, the quality control services company, Adia posted consolidated net earnings of SFr201m on a SFr6bn turnover.

The 1990 results would be increased from the sale, announced yesterday, of Automation Center International (ACI), the Swiss-based software and information processing company, Adia said. The buyer is Raet of the Netherlands, the Dutch market leader in computer data processing and software development.

No price was disclosed but with ACI predicting 1990 sales of nearly SFr100m and having made a net profit close to SFr9m last year, specialists put the price at between SFr80m and SFr90m.

Excluding the computer leasing business, Adia's first-half turnover in the services sectors advanced by 9.5 per cent to just over SFr2bn despite a sharp drop in the value of US and European currencies against the Swiss franc.

Turnover in temporary help and personnel services advanced by SFr123m to SFr1.66bn. Sales in Europe, apart from the UK, had grown satisfactorily while progress in Japan had been "excellent."

In computer leasing, turnover climbed by 18 per cent to SFr1.05bn, or by 23 per cent in local currencies. Meridian Europe, which made a SFr29m loss in 1989, showed a small profit.

Sasea Holding to report 71% advance

By William Dullforce in Geneva

SASEA HOLDING, the parent company of the investment banking group controlled by Mr Florio Fiorini, will shortly report a 71 per cent increase in net earnings to SFr26.4m ($20.1m) for the year ending June 30.

As a result of the doubling of share capital, earnings per share have fallen from SFr7.50 to SFr6.80 but Mr Eric Baudat, chairman, said shareholders would be paid at least an unchanged dividend of SFr6.

Operating profit had advanced from SFr36.6m in 1988-89 to SFr56.4m while total assets had climbed from SFr866m to more than SFr1.4bn.

The holding company's results were disclosed before the formal announcement, to counter reports and criticism in some Swiss financial publications that provoked a plunge in the price of Sasea shares in July. The price hit a low of SFr41 before recovering to SFr62 at the end of last week, a level which Mr Baudat said was still well below the company's net worth of between SFr110 and SFr115 per share.

One report, vigorously rejected by Mr Baudat and Mr Fiorini, had suggested that Sasea might go into voluntary liquidation. Criticism has centred on the upward surges last year in the size of the balance sheet and the level of indebtedness.

Sasea's consolidated accounts for the 12 months to the end of 1989 show a climb in assets from SFr1.5bn to SFr3.7bn. Current liabilities advanced by more than SFr1bn to SFr1.76bn.

Tension built up this year over the successful bid by Tamoil (Suisse) in competition with a consortium constituted by Elf Aquitaine of France and Agip of Italy for Gatoil, Switzerland's fourth largest oil company. Sasea owns 35 per cent of Tamoil. Mr Fiorini alleged that Elf had put pressure on banks to cut off lines of credit to Sasea.

Comment has also focused on Mr Fiorini's relationship with Mr Giancarlo Parretti, the Italian financier whose Pathé Communications company is trying to complete a $1.3bn bid for MGM/UA, the Hollywood film studio. Mr Fiorini is chairman of Pathé Communications.

Mr Fiorini said Sasea's exposure in the Pathé offer for MGM amounted to only SFr67m, the amount invested in its 42 per cent stake in Melia International, the Amsterdam-based company through which Mr Parretti controls Pathé Communications.

The swelling of the balance sheet in 1989 was due principally to the consolidation of Scotti Finanziaria, a Milan-based property company with assets equivalent to SFr1.3bn, of which Sasea took control last year.

Scotti lost its listing on the Milan stock exchange some 10 years ago.

The company has been restructured, is already profitable and Sasea expects that it will shortly be relisted, according to Mr Norbet Stadler, general manager.

Sasea was currently in a disinvestment phase in the insurance and property sectors, Mr Fiorini said, but he saw good prospects for new investments in the energy, communications and food sectors.

● Chargeurs, the French conglomerate, confirmed that it was interested in buying European cinemas owned by Pathé, but said no decision had been taken, Reuter reports.

AEG breaks even in first half

By Katharine Campbell in Frankfurt

AEG, the electrical and electronics subsidiary of Daimler-Benz, West Germany's biggest company, yesterday reported a break-even result for the first half of 1990.

Group turnover rose 4 per cent to DM5.8bn ($3.7bn), partly on first-time consolidations.

The company said it was looking forward to the normal seasonally induced increase in sales in the second half, which would enable it to maintain the 1989 dividend.

It said that costs had risen on account of the spring wage agreements, but that increases in raw material prices had been passed on to customers.

First-half growth was confined to domestic business, where sales were up 8 per cent at DM3.16bn, while turnover figures abroad were static at DM2.67bn. Sales were above average in divisions such as electronic components and automation technology, with "two digit" percentage growth in industrial technology.

Overall, orders rose 6 per cent to reach DM7.1bn, benefiting from 9 per cent growth on the domestic side. Large orders for railway systems boosted the figures, and further large contracts are expected before the end of the year.

East Germany will become an important business area in the medium term, AEG said. It has set up sales arrangements with East German operations in the field of consumer goods, and has established its sales bureaux for industry automation technology.

Like many West German companies, it is exploring the possibilities of joint ventures with East German operations. New subsidiaries Schorch, Lachdraht Union and AEG Westinghouse Industrial Automation were included for the first time in first-half sales.

The workforce increased to 77,156 from 76,653, as a 5 per cent increase in foreign-based staff offset a 1 per cent reduction in domestic staffing.

Grundig scores from World Cup sales

GRUNDIG, the West German market leader in consumer electronics, announced yesterday at the Leipzig Trade Fair that sales for the first five months of the year had risen a record 35 per cent thanks to the World Cup and the opening of the East German market, writes David Goodhart.

Like many West German companies, Grundig has been cautious about opening new capacity in East Germany. But yesterday Mr Johan van Tilburg, chairman, said Grundig intended to establish a net of distribution and service operations there to ensure market leadership.

For the year as a whole Mr van Tilburg said he expected a rise in sales "comfortably in double figures." Mr Hans Burkhard, a senior executive, said sales rose 32 per cent during the first four months of the year, or 27 per cent stripping out sales in East Germany. But Mr Burkhard said the rise in West German sales was also boosted by East German shoppers.

Grundig currently has 850 dealers in East Germany and the number should rise to 1,500 by the beginning of next year. The company intends to invest about DM250m ($158m) in East Germany but has not yet decided whether it will produce there.

New chief at Aker named

AKER, the Norwegian engineering company, said that Mr Tom Ruud, currently managing director, would take over as president in the first half of 1991, when Mr Karl Glad, who has been president since April 1989, steps down, Reuter reports.

The board named Mr Ruud, 39, as assistant president from Monday. "Karl Glad has told the board that he wants to leave as head of the company from the first half of 1991," a board statement said.

Mr Ruud, a civil engineer, became finance director of Norcem, the Norwegian cement firm, in 1984, and continued in the post in Aker Norcem after Norcem merged with Aker in 1987. He became managing director of Aker in October 1988.

Mr Gerhard Heiberg, head of Aker's board, said yesterday there was no special reason for Mr Glad's decision to leave other than that he had always planned to be president for a relatively short time.

In the four months to April 30, Aker made profits before extraordinary items of NKr55m ($9m), unchanged from the first four months of 1989.

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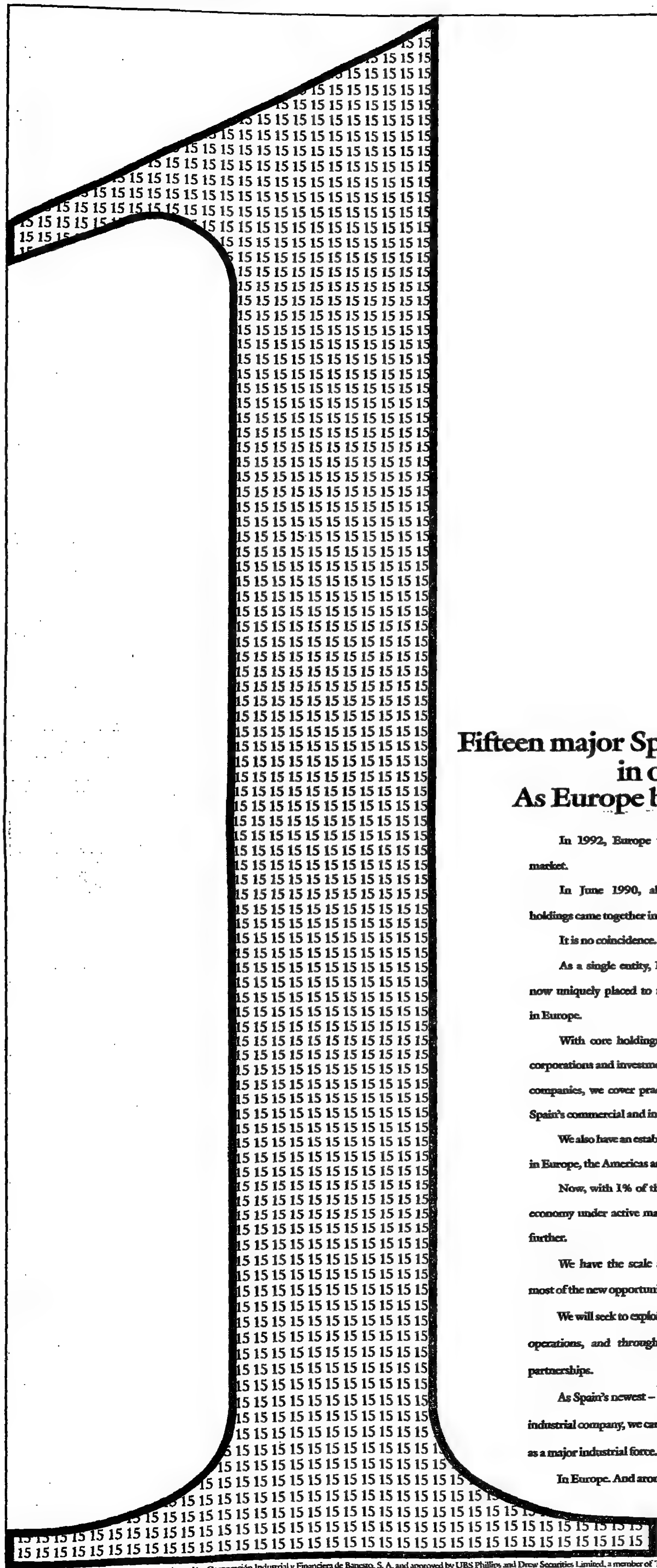

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INTERNATIONAL COMPANIES AND FINANCE

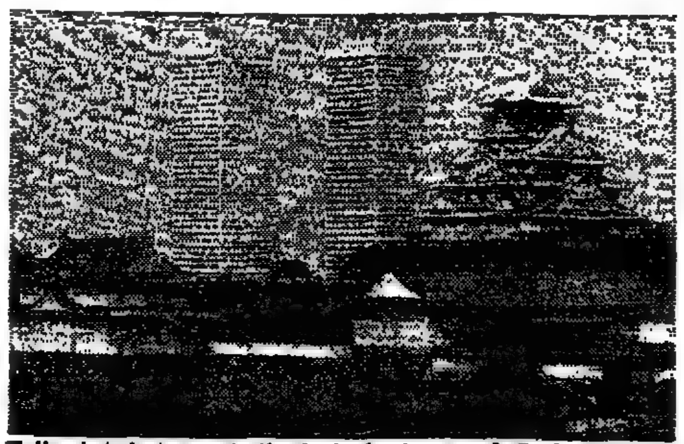
Kajima stretches its image around the world

Robert Thomson on the first Japanese construction company to gain a London listing

Kajima Corporation likes the empire builder image. As a measure of its ambition, the company has just released plans for a 200-storey, 800m high skyscraper that applies advanced Lego-style principles by piling 50-storey blocks one on top of another.

The company is awaiting a commission for what would be the world's tallest building, and presumes the blueprint will one day become a reality.

Kajima has previously proved a leader in its field – in 1860, it was the first company to erect a western building in Japan. Today it will take the lead again, when it becomes the first Japanese contractor to be listed on the International Stock Exchange in London.



Kajima's twin towers in the Osaka business park. It plans to build a skyscraper five times taller, joining blocks Lego-style

Mr Mitsuharu Murakami, Kajima's executive vice president, said the company decided to list in London because it wanted to be better known in the international financial community, and to "strengthen and enhance our image" generally.

That image-building has a useful spin-off within staff-starved Japan, where younger workers are attracted to companies with strong international profiles. The London company will also be used as a base for post-1992 single market expansion in the European Community and for forays into eastern European markets.

"We want to be thought of as 'international Kajima.' In the past, we have been known as 'railways Kajima' and 'dams Kajima.' After the war we became 'nuclear power stations Kajima' and now we are 'skyscrapers Kajima'," he said.

The company wants the world to know that it does more than build. The Kajima Institute of Construction Technology is well-known in Japan for its research into the earthquake-proofing of buildings, and, with 35 per cent of Japanese construction companies reporting a shortage of staff, is putting more emphasis on labour-saving technology.

Plans for the 200-storey "dynamic intelligent building," or, as the company calls it, the DIB-200, are as much a showcase of technological expertise as a boast about building sizes. The building has elaborate plans for water recycling, elevators and, importantly for Japan, earthquake-proofing.

Replacing workers with robots on construction sites has not been easy, but the company has built machines to do the finishing work on concrete floors, and has restructured the building cycle to reduce the on-site construction load. Once the building is finished, the company has developed a robot to stack chairs.

"We do the financing, the designing, the securing of land, inviting the tenants and managing the building. We are not just a hardware company, we also supply the software. The value-added is very important to us," Mr Murakami said.

The added value of a London listing may increase the foreign share of Kajima's ownership, which now stands at 5 per cent, although the Japanese-style, large multiples could be a psychological barrier. The company had an average price/ earnings multiple of 43.79 and a dividend yield of 0.79 per cent for the year to the end of March 1990.

But prospects for Japanese construction companies are good. Domestic order books are full and sales growth last year for the larger companies averaged 23 per cent. This year, the order backlog is expected to increase by 28 per cent and sales by 10.4 per cent.

In its last year, Kajima reported a 20.4 per cent increase in orders and a 28.8 per cent increase in pre-tax profit to Y62.9bn on revenues of Y1,419.8bn ($9.9bn), up 14.4 per cent. Last year, about 31 per cent of revenue was earned in constructing stores and buildings, 18 per cent in factories and power plants and 24 per cent from civil engineering projects.

Agreement during recent bilateral trade talks with the US to increase public works spending will provide extra work in civil engineering. As Mr Murakami put it, "this decision should be good for us."

The talks also dealt with the Japanese construction market, and US negotiators expressed concern at bid-rigging and the limited opportunities for foreign contractors. Mr Murakami argued that the promise of foreign participation was "being realised" and that his company "is co-operating with a lot of foreign firms."

He continued: "There are many misunderstandings. We [construction company heads] might have a meeting on a golf course, but we are merely deepening our friendships. It is not a conspiracy. We are just playing golf together. But, because of the misunderstandings, we have decided to disband these sorts of groups."

A problem for foreign companies is that a large percentage of construction work in Japan is done at the customer's request without competitive bidding. About 78 per cent of Kajima's contracts are won without bidding, and 44 per cent of these include design and planning work as well as the construction.

In Japan, a general contractor usually obtains a contract price from a customer, and then enters into fixed-price contracts with sub-contractors for different stages of the project. The general contractor retains overall responsibility, but the sub-contractor is responsible for materials supply and for finding construction workers.

"We can't rely just on domestic labour in the future, but the use of foreign labourers presents us with a lot of problems. Clear regulations have to be set to cope with these difficulties. We will have a long-term labour shortage," Mr Murakami said.

The domestic market is strong, with companies turning down public works projects because they do not have the staff to cope. However, the foreign market has been more difficult for Japanese companies since the yen's appreciation.

Another large contractor, Kumagai Gumi, has announced plans to restructure its foreign operations and concentrate more on domestic projects. Mr Murakami admitted that the yen's strength had encouraged Kajima "to make our foreign offices as localised as possible to increase our competitiveness."

He agreed that opportunities probably exist for a well-heeled Japanese contractor to expand its foreign penetration through acquisitions, but said that it "is our basic policy not to do mergers and acquisitions." The company does, however, cultivate partnerships with foreign companies, such as with Stanhope Properties of the UK and Trammell Crow of the US.

Placer bid for Continental Gold shares to go ahead

By Robert Gibbens in Montreal

PLACER DOME, North America's largest gold producer, is to go ahead with a bid for all the shares of Continental Gold, operator of a large gold-copper property in British Columbia interior.

The bid values Continental's future mine at about C$500m (US$435m). The mine is due to start operating in 1993.

Last month Placer said its bid depended on BP Canada agreeing to end litigation and sell its 13.1 per cent interest in Continental to Placer for C$78m.

Continental management's holding has been committed in a lock-up agreement, and Placer now has effective control. It will make the formal offer for all the Continental shares, including those held by the public, at C$20 a share or one common share of Placer.

● Royal Trustco, the main financial services unit of the Peter and Edward Bronfman empire, has sold its asset management operation in Hong Kong and Singapore, saying it does not fit the company's new strategy.

The buyer was France's Crédit Lyonnais group. Both operations were part of its Royal Trust Asset Management subsidiary. Terms were not disclosed.

COMPANY NEWS IN BRIEF

MILANO Assicurazioni yesterday announced it had bought a 60 per cent shareholding in Lloyd Internazionale to strengthen its car insurance business, AP-DJ reports.

Milano, controlled by La Fondiaria Assicurazioni, bought the stake from Compagnia Tirrena Assicurazioni, the parent company of the Tirrena insurance group, for L95bn ($82m). A first tranche of L50bn has been paid. The rest will be paid before the end of October, Milano said.

■ Friedrich Deckel, the West German machine tool maker, expects to narrow its financial losses in 1990 from a year earlier, recording "a clear improvement, Reuter reports."

Munich-based Deckel had suffered a net loss of DM53.6m ($34m) in 1989. In the first six months of 1990, it had an unspecified group operating loss that was smaller than that for a year earlier, the company said yesterday.

■ Meissen, the East German porcelain maker founded in 1710, says it wants to remain a state-owned company after unification. It was recently converted into a company with limited liability (GmbH).

■ Groupe Royale Belge, the Belgian insurer, said it bought the Belgian business of a Luxembourg insurance company, Groupe Le Foyer. The purchaser said the acquisition was part of its strategy to develop in the Belgian, Luxembourg and Dutch markets. Terms were not disclosed.

INTERNATIONAL COMPANIES AND FINANCE

MIM earnings advance by 45% despite poor quarter

By Bruce Jacques in Sydney

MIM HOLDINGS, the leading Australian metals miner, has shrugged off a lower final quarter to report a 45 per cent earnings improvement in the year to July 1.

Including some large abnormal items, stated earnings rose to A$295.5m (US$240.2m) from A$203.5m on an 8.5 per cent advance in sales to A$1.91bn from A$1.76bn.

But the stated earnings included a A$70.3m abnormal profit, mainly on sale of assets to the newly-floated Highland Gold. Previous year earnings included a A$24.7m abnormal profit on sale of the company's interest in the Mt Agnew operation.

The result followed a final quarter earnings fall to A$52.9m from A$59.4m and was despite a further A$31m pre-tax loss from coal operations, although this reflected an improvement on the previous year's A$85m coal loss.

Sir Bruce Watson, chairman, said the company's financial position strengthened during the year, with debt reduced by A$129m to A$966m, helping to reduce interest expense from A$79m to A$50m.

Cash flow from operations increased by A$82m to A$577m, with a further A$205m received from coal asset sales, but Sir Bruce indicated the high value of the Australian dollar had had an adverse effect.

The result followed tax of A$156.2m (A$149.7m) and excluded a A$16.4m after-tax exchange loss against a A$36.6m profit previously.

Second-half downturn at Boral

By Bruce Jacques

BORAL, the leading Australian building industry group, has indicated that recession is overtaking the economy with a sluggish result in the year to the end of June.

An 8 per cent dip in second half earnings held net full-year earnings to a 4.3 per cent increase to A$322.2m (US$262m) from A$308.9m, on a 9 per cent advance in sales to A$3.9bn from A$3.6bn.

Sir Peter Finley, chairman, said yesterday the second-half downturn was continuing, and first-half results for the current year would be down. "Any improvements in the short term are likely to come from greater efficiency in our operations and any further acquisitions," he said.

Sir Peter also announced that Boral had consolidated its position as the country's largest clay brick producer by taking over Western Australia's dominant brick maker, Midland Brick Company.

The price was undisclosed, but has been estimated at around A$200m. Boral's capital expenditure was about A$280m for the latest year, with acquisitions costing a further A$200m.

Sir Peter said capital and expansion spending was expected to remain at similar levels in the current year. An earnings breakdown showed that the group's North American operations were a big weakness, with pre-tax earnings down almost 38 per cent, but European operations lifted their profit contribution by 43 per cent.

The result was after tax of A$192.4m against A$198.7m previously and depreciation of A$149.4m compared with A$125.1m. The annual dividend has been held at 25 cents a share on bonus-increased capital.

Amcor rises 26% amid warnings by directors

By Bruce Jacques

DIRECTORS of Amcor, the diversified Australian packaging group, have described trading conditions as the most difficult for many years, despite a solid result for the year to the end of June.

The company lifted net earnings by 26 per cent to A$166.2m (US$135.1m) from A$131.7m after sales jumped more than 45 per cent to A$3.25bn. The annual dividend is up from 26.5 cents to 27 cents a share.

The result demonstrated an increasing move offshore by Amcor, with 29 per cent of sales and 17 per cent of pre-tax profit derived outside Australia.

Directors said of economic conditions at home: "Australia in its present mode is rapidly becoming an uncompetitive place for the investment of private capital in the nation's resource and manufacturing sectors.

"The recent renewed rise in the value of the Australian dollar to unrealistically high levels penalises exporters, while encouraging import competition. Simultaneously, high interest rates inhibit growth in the domestic market.

"Industry is hampered also by Australia's inability to carry out effective micro-economic reform on the waterfront and in our industrial relations, transport and telecommunications systems," they said.

Turnover plummets 33% after shake-up at Multi-Purpose

By Lim Siong Hoon in Kuala Lumpur

MULTI-PURPOSE, the Malaysian group which has undergone a drastic and controversial restructuring during the past year, announced in its first-half results a 33 per cent drop in turnover from M$229m to M$153m (US$56.9m).

Last year the group sold all but 5 per cent of its 65 per cent shareholding in Mulpha, a trading unit, for M$72m. This month, Multi-Purpose is to finalise the sale of nearly all the plantation assets in another subsidiary, Dunlop Estates, for around M$500m.

Dunlop, now under suspension from trading on the local stock exchange, reported a M$1.2m loss compared with M$18m in pre-tax profit previously.

The sale of Mulpha gave the group M$87m in extraordinary gain on top of M$25m in pre-tax profit, up 16 per cent from the 1989 six-month period.

Group profit, after minority interests, stood at M$16m compared to M$104m in profit to shareholders. It has proposed no interim dividend.

Multi-Purpose, once a well diversified group, now has four main businesses in financial services, gambling, property and shipping.

With shipping to be sold also, the group's core operation will be reduced to three; at present, its lottery syndicate is the single biggest profit source followed by financial services.

The group hopes eventually to transfer a 42 per cent interest in Dunlop to Bandar Raya Development, a property unit in the stable, for M$215m. The proposal has been officially rejected, but is now under appeal.

Tan Chong Motor up by 103% despite flat sales

By Lim Siong Hoon

TAN CHONG Motor, the Nissan assembler and distributor in Malaysia, has announced in its mid-year results a pre-tax profit rise of 103 per cent although sales were nearly flat during the six-month period.

The group said the profit improvement to M$128m (US$47.6m), from M$63m, was achieved by cuts in operating costs and a reduction in interest expense.

Turnover edged ahead to M$923m compared with M$917m during the first half of 1989.

The group has recommended a 4 per cent interim dividend from M$78m in profit to shareholders, or M$0.19 a share.

Newmont adopts poison pill plan

By Kenneth Gooding, Mining Correspondent

NEWMONT Mining, the Denver-based group which is North America's biggest gold producer, has adopted a shareholders' rights, or poison pill, plan.

This coincides with proposals, announced last week, for Hanson, the UK conglomerate, to reduce its shareholding in Newmont from 49 per cent to 28 per cent via a secondary offering of Newmont shares.

Poison pill plans are designed to deter unwelcome approaches or raids and Newmont's would be activated if any group apart from Hanson acquired more than 15 per cent of the company's common stock – unless the deal was approved by disinterested members of the Newmont board.

JCI unit pays R182m for chrome mine and plant

By Philip Gawith in Johannesburg

CONSOLIDATED Metallurgical Industries (CMI), a subsidiary of mining house Johannesburg Consolidated Investments (JCI), has paid R182m (US$70m) for Purity Chrome, in a move which will increase CMI's share of the world ferrochrome market.

The deal, subject to ratification in October, involves CMI obtaining the entire issued share capital of Purity Chrome, which owns a chrome mine and plant in the Rustenburg area, and the assets of Purity Ferrochrome comprising a ferrochrome plant which provides an approximate annual capacity of 120,000 tons of ferrochrome.

CMI notes in a statement that the deal will probably have a negative impact on the short-term earnings of CMI due to the interest charges on the financing of the deal and outlets being established for Purity's production in a depressed ferrochrome market.

Analysts regard the move as an inevitable by-product of overcapacity in the industry and a 3 per cent drop in world steel consumption over the past year.

● In another deal in the steel industry, agreement has been reached whereby Iscor will on behalf of Middelburg Steel and Alloys (MS&A) roll certain stainless steel and 3CR12 (a corrosion-resisting steel developed by MS&A) products.

Malaysia alters power board status

MALAYSIA has converted its state-owned National Electricity Board into a corporation, Tenaga Nasional Bhd (TEN), as a prelude to the privatisation of the government statutory board, Reuter reports from Kuala Lumpur.

Launching TEN, Prime Minister Mr Mahathir Mohamad announced the appointment of Mr Haji Ani Arope – who is chief executive of Kumpulan Guthrie, the diversified commodities company – as TEN chairman and Mr Ibak Abu Hussin as chief executive.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, September 3, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	52.9898	33.4456	36.9302
Albania (Lek)	9.9194	5.2959	3.3426	3.6909
Algeria (Dinar)	16.4868	8.8023	5.5557	6.1346
Andorra (Fr Fr)	9.9450	5.3096	3.3513	3.7004
(Sp Peseta)	184.75	98.6385	62.2577	68.7441
Angola (Kwanza)	58.403e	29.9180	19.6808	21.7313
Antigua (E Carr $)	5.0584	2.7006	1.7045	1.8821
Argentina (Austral)	11749.95	6273.3315	3959.5450	4372.0744
Aruba (Florin)	3.3536	1.7904	1.1301	1.2478
Australia (Aus $)	2.30125	1.2286	0.7754	0.8562
Austria (Schilling)	20.825	11.1185	7.0176	7.7488
Azores (Port Escudo)	261.30	139.5088	88.0539	97.2279
Bahamas (Bahama $)	1.8730	1	0.6311	0.6969
Bahrain (Dinar)	0.7067	0.3773	0.2381	0.2629
Balearic Is (Sp Peseta)	184.75	98.6385	62.2577	68.7441
Bangladesh (Taka)	65.00	34.7036	21.9039	24.1860
Barbados (Barb $)	3.7682	2.0118	1.2698	1.4021
Belgium (Belg Fr)	60.85	32.4879	20.5054	22.6418
Belize (B $)	3.747	2	1.2626	1.3942
Benin (CFA Fr)	497.25	265.4831	167.5652	185.0232
Bermuda (Bermudian $)	1.8730	1	0.6311	0.6969
Bhutan (Ngultrum)	33.00	17.6187	11.1204	12.2790
Bolivia (Boliviano)	6.0139	3.2108	2.0265	2.2377
Botswana (Pula)	3.4750	1.8553	1.1710	1.2930
Brazil (Cruzado)	134.023	71.5552	45.1636	49.8690
British Virgin Is (US $)	1.8730	1	0.6311	0.6969
Brunei (Brunei $)	3.3085	1.7664	1.1149	1.2310
Bulgaria (Lev)	5.5416	2.9586	1.8674	2.0619
Burkino Faso (CFA Fr)	497.25	265.4831	167.5652	185.0232
Burma (Kyat)	[illegible]	6.1453	3.8787	4.2828
Burundi (Burundi Fr)	325.20	173.6252	109.5871	121.0046
Cambodia (Riel)	861.58	460	290.3386	320.5879
Cameroon (CFA Fr)	497.25	265.4831	167.5652	185.0232
Canada (Canadian $)	2.1585	1.1524	0.7273	0.8031
Canary Is (Sp Peseta)	184.75	98.6385	62.2577	68.7441
Cp. Verde (CV Escudo)	128.71	68.7186	43.3732	47.8920
Cayman Is (CI $)	1.5550m	68.5926	0.5240	0.5786
Cent.Afr. Rep (CFA Fr)	497.25	265.4831	167.5652	185.0232
Chad (CFA Fr)	497.25	265.4831	167.5652	185.0232
Chile (Chilean Peso)	561.44	299.7544	189.1962	208.9079
China (Renminbi Yuan)	8.9023	4.7529	2.9999	3.3124
Colombia (Col Peso)	975.68	520.9183	328.7885	363.0437
Comoros (CFA Fr)	497.25	265.4831	167.5652	185.0232
Congo (Brazz) (CFA Fr)	497.25	265.4831	167.5652	185.0232
Costa Rica (Colon)	176.17	94.0576	59.3664	65.5516
Côte d'Ivoire (CFA Fr)	497.25	265.4831	167.5652	185.0232
Cuba (Cuban Peso)	1.4922	0.7966	0.5028	0.5552
Cyprus (Cyprus £)	0.8401	0.4485	0.2831	0.3125
Czechoslovakia (Koruna)	30.32c	16.1879	10.2173	11.2818
	51.14t	27.3037	17.2333	19.0288
Denmark (Danish Kroner)	11.3500	6.0597	3.8247	4.2232
Djibouti Rep (Djib Fr)	325.00	173.5184	109.5197	120.9302
Dominica (E Carrib $)	5.0584	2.7006	1.7045	1.8821
Dominican Rep (D Peso)	20.4039	10.8936	6.8757	7.5921
Ecuador (Sucre)	1636.43o	873.6946	551.4507	608.9041
	1513.41a	808.0138	509.9949	563.1293
Egypt (Egyptian £)	5.105	2.7255	1.7203	1.8995
El Salvador (Colon)	11.9058	6.3565	4.0120	4.4300
Equat'l Guinea (CFA Fr)	497.25	265.4831	167.5652	185.0232
Ethiopia (Ethiopian Birr)	3.8510	2.0560	1.2977	1.4329
Falkland Is (Falk £)	1.00	0.5339	0.3369	0.3720
Faroe Is (Danish Kroner)	11.3500	6.0597	3.8247	4.2232
Fiji Is (Fiji $)	2.6941	1.4383	0.9078	1.0024
Finland (Markka)	6.9712	3.7219	2.3491	2.5939
France (Fr)	9.9450	5.3096	3.3513	3.7004
Fr. Cty/Africa (CFA Fr)	497.25	265.4831	167.5652	185.0232
Fr. Guiana (Local Fr)	9.9450	5.3096	3.3513	3.7004
Fr. Pacific Is (CFP Fr)	177.00	94.5008	59.6461	65.8604
Gabon (CFA Fr)	497.25	265.4831	167.5652	185.0232
Gambia (Dalasi)	15.8048	8.4382	5.3259	5.8808
Germany East (Ostmark)	2.9675	1.5843	1	1.1041
Germany West (DMark)	2.9675	1.5843	1	1.1041
Ghana (Cedi)	629.516	336.1003	212.1368	234.2385
Gibraltar (Gib £)	1.00	0.5339	0.3369	0.3720
Greece (Drachma)	292.75	156.3000	98.6520	108.9302
Greenland (Danish Krone)	11.3500	6.0597	3.8247	4.2232
Grenada (E Carr $)	5.0584	2.7006	1.7045	1.8821
Guadaloupe (Local Fr)	9.9450	5.3096	3.3513	3.7004
Guam (US $)	1.8730	1	0.6311	0.6969
Guatemala (Quetzal)	8.4714	4.5229	2.8547	3.1521
Guinea (Fr)	562.05	300.0800	189.4018	209.1348
Guinea-Bissau (Peso)	1217.77	650.1708	410.3689	453.1237
Guyana (Guyanese $)	83.39u	45	28.1010	31.0288
Haiti (Gourde)	9.3675u	5	3.1566	3.4855
Honduras (Lempira)	9.1817u	4.4250	3.0940	3.4164
Hong Kong (HK $)	14.5452	7.7657	4.9014	5.4121
Hungary (Forint)	120.6295	64.4044	40.6502	44.8853
Iceland (Icelandic Krona)	108.80	58.0886	36.6638	40.4837
India (Indian Rupee)	33.00	17.6187	11.1204	12.2790
Indonesia (Rupiah)	3522.10	1880.4591	1186.8913	1310.5488
Iran (Rial)	126.50	67.5387	42.6284	47.0697
Iraq (Iraqi Dinar)	0.6060	0.3235	0.2042	0.2254
Irish Rep (Punt)	1.1060	0.5904	0.3727	0.4115
Israel (Shekel)	3.877	2.0699	1.3064	1.4426
Italy (Lira)	2207.25	1178.4570	743.8079	821.3023
Jamaica (Jamaican $)	12.8125	6.8406	4.3176	4.7674
Japan (Yen)	268.75	143.4863	90.5644	100
Jordan (Jordanian Dinar)	1.2302	0.6568	0.4145	0.4577
Kenya (Kenya Shilling)	43.68	23.3208	14.7194	16.2530
Kiribati (Australian $)	2.30125	1.2286	0.7754	0.8562
Korea North (Won)	1.8173	0.9702	0.6124	0.6762
Korea South (Won)	1348.15	719.7810	454.3049	501.6372
Kuwait‡ (Kuwaiti Dinar)				
Laos (New Kip)	1330.18	710.1868	448.2493	494.9506
Lebanon (Lebanese £)	2009.7	1072.9845	677.2367	747.7953
Lesotho (Maluti)	4.8312	2.5793	1.6280	1.7976
Liberia (Liberian $)	1.8730	1	0.6311	0.6969
Libya (Libyan Dinar)	0.5193	0.2772	0.1749	0.1932
Liechenstein (Swiss Fr)	2.4650	1.3160	0.8306	0.9172
Luxembourg (Lux Fr)	60.85	32.4879	20.5054	22.6418
Macao (Pataca)	15.0221	8.0203	5.0622	5.5896
Madeira (Port Escudo)	261.30	139.5088	88.0539	97.2279
Malagasy Rep (MG Fr)	2265.75	1209.6903	763.5214	843.0697
Malawi (Kwacha)	5.0175	2.6788	1.6908	1.8669
Malaysia (Ringgit)	5.0357	2.6885	1.6969	1.8737
Maldive Is (Rufiya)	17.9912	9.6055	6.0627	6.6944
Mali Rep (CFA Fr)	497.25	265.4831	167.5652	185.0232
Malta (Maltese £)	0.5770	0.3080	0.1944	0.2146
Martinique (Local Fr)	9.9450	5.3096	3.3513	3.7004
Mauritania (Ouguiya)	154.5263	82.5020	52.0728	57.4981
Mauritius (Maur Rupee)	26.85	14.3352	9.0480	9.9906
Mexico (Mexican Peso)	5414.49a	2890.8115	1824.5964	2014.6909
	5363.83d	2863.7640	1807.5248	1995.8437
Miquelon (Local Fr)	9.9450	5.3096	3.3513	3.7004
Monaco (French Fr)	9.9450	5.3096	3.3513	3.7004
Mongolia (Tugrik)	6.2865u	3.3555	2.1184	2.3391
Montserrat (E Carr $)	5.0584	2.7006	1.7045	1.8821
Morocco (Dirham)	15.4294	8.2378	5.1994	5.7411
Mozambique (Metical)	1722.19	919.4821	580.3504	640.8148
Namibia (S A Rand)	4.8312	2.5793	1.6280	1.7976
Nauru Is (Australian $)	2.30125	1.2286	0.7754	0.8562
Nepal (Nepalese Rupee)	54.9479	29.3368	18.5165	20.4457
Netherlands (Guilder)	3.3425	1.7845	1.1263	1.2437
N'od Antilles (A/Guilder)	3.3536u	1.7900	1.1301	1.2478
New Zealand (NZ $)	3.0425	1.6243	1.0252	1.1320
Nicaragua (Cordoba)	1798560	960256.273	606085.931	669231.628
Niger Rep (CFA Fr)	497.25	265.4831	167.5652	185.0232
Nigeria (Naira)	14.80	7.9017	4.9873	5.5069
Norway (Nor. Krone)	11.4575	6.1171	3.8609	4.2632
Oman (Rial Omani)	0.7217	0.3853	0.2432	0.2685
Pakistan (Pak. Rupee)	41.00	21.8900	13.8163	15.2553
Panama (Balboa)	1.8730	1	0.6311	0.6969
Papua New Guinea (Kina)	1.7625	0.9410	0.5939	0.6558
Paraguay (Guarani)	2244.71	1198.4970	756.4313	835.2409
Peru (Inti)	72835.55	38887.1062	24544.4144	27101.6000
Philippines (Peso)	46.00	24.5595	15.5012	17.1162
Pitcairn Is (£ Sterling)	1.00	0.5339	0.3369	0.3720
(NZ $)	3.0425	1.6243	1.0252	1.1320
Poland (Zloty)	18537.00	9896.9567	6246.6722	6897.4883
Portugal (Escudo)	261.30	139.5088	88.0539	97.2279
Puerto Rico (US $)	1.8730	1	0.6311	0.6969
Qatar (Riyal)	6.8252	3.6439	2.2999	2.5396
Reunion Is. de la (F/Fr)	9.9450	5.3096	3.3513	3.7004
Romania (Leu)	37.021	19.7650	12.4751	13.7748
Rwanda (Fr)	143.82	76.7859	48.4650	53.5144
St Christopher (E Carr $)	5.0584	2.7006	1.7045	1.8821
St Helena (£)	1.00	0.5339	0.3369	0.3720
St Lucia (E Carr $)	5.0584	2.7006	1.7045	1.8821
St Pierre (French Fr)	9.9450	5.3096	3.3513	3.7004
St Vincent (E Carr $)	5.0584	2.7006	1.7045	1.8821
San Marino (Italian Lira)	2207.25	1178.4570	743.8079	821.3023
Sao Tome (Dobra)	188.3484	100.5597	63.4703	70.0831
Saudi Arabia (Riyal)	7.0247	3.7505	2.3672	2.6138
Senegal (CFA Fr)	497.25	265.4831	167.5652	185.0232
Seychelles (Rupee)	9.71	5.1841	3.2721	3.6130
Sierra Leone (Leone)	298.00	159.1030	100.4212	110.8837
Singapore ($)	3.3085	1.7664	1.1149	1.2310
Solomon Is ($)	4.7575	2.5400	1.6032	1.7702
Somali Rep (Shilling)	768.135	410.1094	258.8491	285.8176
South Africa (Rand)	4.8312c	2.5793	1.6280	1.7976
	7.3287g	3.9128	2.4696	2.7269
Spain (Peseta)	184.75	98.6385	62.2577	68.7441
Spanish Ports in N Africa (Sp Peseta)	184.75	98.6385	62.2577	68.7441
Sri Lanka (Rupee)	75.00	40.0427	25.2737	27.9069
Sudan Rep (£)	21.4516	11.4530	7.2288	7.9819
Surinam (Guilder)	3.3442	1.7854	1.1269	1.2443
Swaziland (Lilangeni)	4.8312	2.5793	1.6280	1.7976
Sweden (Krona)	10.8825	5.8101	3.6672	4.0493
Switzerland (Fr)	2.4650	1.3160	0.8306	0.9172
Syria (£)	39.3435	21.0056	13.2581	14.6394
Taiwan ($)	51.05	27.2557	17.2030	18.9953
Tanzania (Shilling)	369.40	197.2237	124.4818	137.4511
Thailand (Baht)	48.00	25.6273	16.1752	17.8604
Togo Rep (CFA Fr)	497.25	265.4831	167.5652	185.0232
Tonga Is (Pa Anga)	2.30125	1.2286	0.7754	0.8562
Trinidad/Tobago ($)	7.9624	4.2511	2.6832	2.9627
Tunisia (Dinar)	1.6440	0.8777	0.5540	0.6117
Turkey (Lira)	5240.17	2797.7415	1765.8534	1949.8306
Turks & Caicos (US $)	1.8730	1	0.6311	0.6969
Tuvalu (Australian $)	2.30125	1.2286	0.7754	0.8562
Uganda (New Shilling)	849.777	453.6983	286.3612	316.1960
U A E (Dirham)	6.8772	3.6717	2.3175	2.5589
United Kingdom (£)	1.00	0.5339	0.3369	0.3720
United States (US $)	1.8730	1	0.6311	0.6969
Uruguay (Peso)	2348.74	1253.9989	791.4877	873.9497
USSR (Rouble)	1.1018	0.5882	0.3712	0.4099
Vanuatu (Vatu)	210.50	112.3865	70.9351	78.3255
Vatican (Lira)	2207.25	1178.4570	743.8079	821.3023
Venezuela (Bolivar)	91.0539	48.6139	30.6837	33.8805
Vietnam (Dong)	8430.75	4501.2012	2841.0278	3137.0232
Virgin Is-British (US $)	1.8730	1	0.6311	0.6969
Virgin Is-US (US $)	1.8730	1	0.6311	0.6969
Western Samoa (Tala)	4.3917	2.3447	1.4799	1.6341
Yemen (Rial)	22.482	12.0032	7.5760	8.3653
Yemen PDR (Dinar)	0.8646u	0.4610	0.2913	0.3217
Yugoslavia (Dinar)	20.9218	11.1700	7.0503	7.7848
Zaire Rep (Zaire)	1266.04	675.9423	426.6352	471.0846
Zambia (Kwacha)	75.7065	40.4198	25.5118	28.1697
Zimbabwe ($)	4.6975	2.5080	1.5829	1.7479

Special Drawing Rights August 31, 1990. United Kingdom £0.729255 United States $1.38595 Germany West D Mark 2.16513 Japan Yen199.923 European Currency Unit Rates Sept. 3, 1990. United Kingdom £0.695610 United States $1.30234 Germany West D Mark 2.06356 Japan Yen187.342

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; ‡ Kuwait: Dinar unavailable. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday, September 3, 1990.

INTERNATIONAL CAPITAL MARKETS

Re-opening of 8¾% Unity Bond surprises dealers

By Simon London

THE West German Government's decision to reopen the existing 8¾ per cent Unity Bond rather than make a new issue took the market by surprise.

Analysts suggested the decision to add DM2.5bn to the existing DM6bn of the 8¾ per cent issue had been taken following disagreements between the monetary authorities and the consortium banks over an appropriate level of coupon for a new bond issue. The market was hoping for a new issue with a 9 per cent coupon, while the Bundesbank was keen to hold yields down.

Traders anticipated little interest in the new paper from overseas professional or retail investors. In light volume, the bonds traded below issue price as overseas consortium institutions sold their allocations back into the market.

However, the full international reception of the bonds will not become apparent until today, as the Bundesbank will announce the results of the second stage of the issue, when an anticipated further DM3.5bn of the 8¾ per cent bonds will be sold by auction. Yesterday's DM2.5bn was issued through the traditional consortium.

Elsewhere, the 8¾ per cent benchmark issue closed little changed at 96.86 to yield 8.99 per cent.

■THE Dutch Finance Ministry issued a 10-year, 9 per cent tap issue on Friday. The first issue price set at 99.40. Traders suggested that grey market trading had pushed prices up to 99.56 to yield 9.07 per cent.

■IN Tokyo, trading of Japanese government bonds remained thin with the US markets closed for the Labor Day holiday. The benchmark No 119 issue closed on a yield of 8.10 per cent and traded in London very close to this level.

August Consumer Price Index figures for the Tokyo region, announced on Friday, showed year on year inflation running at a rate of 3 per cent. However, this was within market expectations and did not adversely affect sentiment.

■THE fall of sterling on the foreign exchange markets at the end of last week took gilts lower but yesterday traders reported some investors coming back into the market at the new levels.

Sterling steadied in quiet currency markets and against this background gilts volume remained thin in both cash and futures markets. The benchmark 11¾ per cent 2003/2007 gilt closed the day at 99⅞ to yield 11.759 per cent.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	101-25	-07/32	12.48	12.53	12.68
		9.000	03/00	84-07	-16/32	11.80	11.99	11.64
		9.000	10/08	83-00	-19/32	11.20	11.39	11.02
US TREASURY		8.750	08/00	99-07	-02/32	8.87	8.98	8.41
		8.750	08/20	97-12	-03/32	9.00	9.09	8.55
JAPAN	No 119	4.800	6/99	82.9601	-0.125	8.12	8.34	7.74
	No 130	6.700	06/00	94.2567	-0.263	7.73	7.96	7.23
GERMANY		8.500	08/00	96.8100	-0.420	9.00	8.98	8.68
FRANCE	BTAN	9.000	11/95	94.4637	-0.371	10.41	10.45	9.86
	OAT	8.500	03/00	88.6400	-0.800	10.41	10.39	9.78
CANADA		10.500	07/00	98.6250	+0.125	10.72	10.98	10.47
NETHERLANDS		8.000	07/00	99.3000	-0.210	9.11	9.14	8.85
AUSTRALIA		13.000	07/00	98.9054	-0.368	13.57	13.71	13.23

London closing
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Trading halts on volatile markets considered

By Richard Waters

THE possibility of co-ordinated action to halt trading on the world's leading stock markets during times of extreme volatility was discussed by senior representatives of the exchanges in Frankfurt yesterday.

However, the talks are unlikely to lead to agreement for some time to come, if at all, since many exchanges remain opposed in principle to the idea of closing their markets to investors at such times.

The discussions were prompted by market volatility since the 1987 stock market crash, but were given added urgency by the uncertain market conditions due to the Gulf crisis. The exchanges were meeting on the first day of a week-long conference of the Fédération International des Bourses de Valeurs, a grouping of 30 stock exchanges including those from Tokyo, New York and London.

Discussions yesterday centred on a paper on stock market volatility prepared by a working party under Mr Georges Urban, chairman of the association of Swiss exchanges and the Geneva stock exchange.

After yesterday's meeting, Mr Rüdiger von Rosen, executive vice chairman of the federation of German stock exchanges, said: "We should be very pragmatic and avoid an automatic closing of the markets. It's too early to take an overall approach. We should look at how different markets respond." He added that there was general agreement that work on combating volatility should go on.

Among the speakers at yesterday's private meeting was Mr John Phelan, chairman of the New York Stock Exchange, who is understood to have indicated that more work needs to be done on studying the effects of market breaks, such as those imposed by the NYSE, before conclusions can be drawn on their effectiveness.

Later in the week the exchanges will discuss capital adequacy for broker-dealers, and stock market regulation.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:10 pm on September 3

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99⅛	99⅝		9.12
ALBERTA PROVINCE 9 3/8 95	600	100½	100⅞	-⅛	9.24
AMERICAN GENERAL 9 3/4 95	100	97⅝	99	+⅛	10.45
AUSTRIA 8 1/2 00	400	93⅞	93½		9.61
BANK OF TOKYO 8 3/8 96	100	94⅛	95⅛	-⅛	9.61
BELGIUM 9 1/8 92	400	100⅝	101⅛		8.77
BFCE 7 3/4 97	150	92⅛	92⅞		9.40
BNP 8 5/8 94	300	98⅝	98⅞		9.09
BP CAPITAL 9 5/8 93	150	100⅞	101⅛		9.19
CANADA 9 96	1000	99⅞	100		9.04
CCCE 9 1/4 95	300	100⅛	100⅞		9.12
COUNCIL EUROPE 8 96	100	93⅞	94⅛	-⅛	9.39
CREDIT FONCIER 9 1/2 99	300	99⅞	99⅝		9.59
DENMARK 0 98	250	48⅝	48⅞		9.60
DENMARK 8 1/4 94	150	97⅛	97⅞		9.14
ECSC 8 1/4 96	193	94⅛	95⅛		9.38
EEC 7 1/4 93	250	96⅛	97	+⅛	8.78
EIB 7 3/4 96	250	93⅛	93⅞		9.32
EIB 10 97	250	102⅞	103		9.40
ELEC DE FRANCE 9 98	200	97⅞	98⅛		9.41
EUROFIMA 9 1/4 96	100	99⅝	100⅛		9.32
EXPORT DEV CORP 9 1/2 98	150	99⅞	100⅛		9.51
FINLAND 7 7/8 97	200	91⅞	92⅞	+⅛	9.61
FINNISH EXPORT 9 3/8 95	200	100⅛	100⅞		9.27
FORD MOTOR CREDIT 9 1/2 93	300	100⅛	100⅞		9.29
GEN ELEC CAPITAL 9 3/8 96	300	99⅝	100		9.44
GMAC 9 1/8 96	200	98⅛	99		9.46
HALIFAX 9 1/2 93	200	100⅞	101⅛		9.10
IBM WORLD TRADE 7 5/8 93	150	95⅝	96⅛		9.24
IND BK JAPAN FIN 7 7/8 97	200	91⅛	92	-⅛	9.65
INTER AMER DEV 7 5/8 96	200	92⅛	92⅞		9.40
ITALY 8 1/2 94	1500	98⅛	98⅝		9.05
JAPAN DEV BK 8 96	150	96⅞	97⅛		9.05
KANSAI ELEC PWR 10 96	350	101⅛	102		9.61
LTCB 8 5/8 93	150	99	99⅛		9.04
NEW ZEALAND 8 93	100	97⅛	98⅛		9.03
NIPPON CRED BK 9 3/4 93	150	101⅛	101⅝	+⅛	9.25
NIPPON TEL & TEL 9 3/8 95	200	100½	101⅛		9.21
NISSAN ACCEPT CORP 9 1/4 91	150	100	100⅝	-⅛	9.23
OLYMPIA & YORK 8 1/4 96	435	87⅛	89⅛	+⅛	11.24
ONTARIO HYDRO 11 5/8 94	200	106⅛	107⅛		9.33
OSTER KONTROLLBANK 8 1/8 93	200	98⅛	98⅞		8.83
PRUDENTIAL RLTY SECS 0 99	366.216	45⅛	45⅞		9.91
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OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AMRO BANK 6 1/4 92 Fl	150	94⅛	95⅛	+⅛	9.37
DENMARK 8 1/2 91 Fl	100	99⅝	100⅛	+⅛	9.15
HEINEKEN 7 5/8 94 Fl	150	96	96⅞		8.89
PHILIPS GLOEILAMPEN 5 3/4 92 Fl	150	94⅞	95⅛		9.45
RABOBANK 5 3/4 93 Fl	150	92	92⅞	-⅛	9.47
[illegible]					

DEUTSCHE MARK STRAIGHTS

[illegible]

SWISS FRANC STRAIGHTS

[illegible]

YEN STRAIGHTS

[illegible]

FLOATING RATE NOTES

[illegible]

CONVERTIBLE BONDS

[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

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INTERNATIONAL CAPITAL MARKETS

Pricing of Korean $40m convertible sinks rapidly

By Tracy Corrigan

SUNKYONG INDUSTRIES, a Korean synthetic fibres manufacturer, brought a $40m offering of convertible bonds, first planned for July. But dealers said the pricing took little account of the current weakness of the Korean stock market, which has declined about 40 per cent since the start of the year.

Lead manager Nikko Securities did not make a market in the bonds, and prices on the brokers' screens sank rapidly.

The borrower first tried to tap the market in July, but that deal was cancelled when Robert Fleming, then lead manager, found the paper could not be placed at the pricing the company was demanding.

Meanwhile, two other London-based banks are holding on to mandates for Korean companies. But Schroder Wagg and Yamaichi both say they will wait for the market to improve, before launching convertible offerings, also around $40m, for Kolon Industries and Tongyang Nylon respectively.

The performance of the Sunkyong issue is in stark contrast to that of the first batch of Korean convertibles a couple of years ago. Then, the paper represented a means of gaining access to the booming Korean stock market, which is closed to foreign investors. New issues frequently traded 20 points above issue price. Now, the bullish tone of the stock market been reversed, and with liberalisation of the domestic market only two years away, some of the time value of those first issues has been eroded, along with some rarity value.

INTERNATIONAL BONDS

In the secondary market, many convertibles are currently so far out of the money that they are trading simply on a yield to put, as if there were no equity content.

For investors who still wish to gain exposure to the Korean market, there are now numerous Korean funds, which are quoted at a very slight premium to their net asset value.

It was the conversion premium, indicated at 40 to 50 per cent, which dealers said scuppered demand for the paper. A premium of 20 to 25 per cent would have been more realistic, they added. The deal was quoted at 85 bid on brokers' screens, but market participants said a more accurate level was between 90 and 92.

There was speculation that Nikko's willingness to shoulder this sort of underwriting risk was political. Nikko was said to be showing its commitment to Korean companies with the aim of gaining a seat on the Korean stock exchange when the market is opened to foreigners in 1992.

Also in the equity-linked market, Mitsui OSK Lines brought a $330m issue of bonds with equity warrants via Nomura International. The deal was bid at 99⅞, below its par issue price but within 2¼ point.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Mitsui O.S.K. Lines‡	330	(5⅛)	100	1994	2¼/1½	Nomura Int.
Sunkyong Industries§(a)	40	1½	100	2005	2½/1½	Nikko Securities
D-MARKS						
Shinsho Corp of Japan‡	100	5¼	100	1994	2¼/1½	Nomura Bk GmbH

‡With equity warrants. §Convertible. a) Put option on 14.09.95 at 138.48 to yield 7.75%. Call from 14.09.93 at 104, declining at 1% per year to par in 1997.

Japanese banks in £1bn UK loans

NINE Japanese banks are providing more than £1bn to the 13 electricity companies in England and Wales to be privatised this autumn, the banks said, Reuter reports.

Loans of more than £4bn are currently in syndication.

The banks are Sumitomo Bank, Sanwa Bank, Mitsubishi Bank, Fuji Bank, Dai-Ichi Kangyo Bank, Mitsui Taiyo Kobe Bank, Bank of Tokyo, Industrial Bank of Japan, and Long-Term Credit Bank of Japan. Sumitomo said it will provide total loans of £556m to 11 companies. Mitsubishi will provide more than £253m to five companies, a Mitsubishi official said.

Sumitomo Bank sets up London options group

By Tracy Corrigan

SUMITOMO Finance International, the London arm of Japan's triple-A rated Sumitomo Bank, is setting up a specialised options group. The six-strong group will focus on the dollar, D-Mark and yen markets and will provide currency, interest rate and stock index options.

"We are aiming to enhance the performance of other departments in our company, such as new issues and sales, which could use our options," said Mr Tadashi Uchimura, managing director of Sumitomo Finance.

A number of banks are expanding into derivative products, one of the few businesses in the capital markets where margins remain high.

Mr Andrew Cruickshank, previously at Chemical Bank, will head the group.

● THE Stock Exchange yesterday increased margins required for ESX options, which are based on the European FT-SE. The change is designed to eradicate an anomoly whereby profits could be generated by buying long-dated ESX put options and selling shorter-dated ESX put options.

Storehouse to buy back outstanding Eurobond

By Simon London

STOREHOUSE, the UK stores group yesterday announced an offer through Kleinwort Benson Securities to buy back its outstanding 4¼ per cent convertible Eurobond issue maturing 2001.

The open offer is the first in the sterling convertible Eurobond sector and runs until Friday. Kleinwort Benson will buy in bonds at a yield of 50 basis points over 19-month sterling swap interest rate, an offer tailored to enable investors to unwind swap positions.

Mr Keith Nichols, Storehouse Treasury Manager, said the offer will be financed out of cash flow generated by the core retailing business. Kleinwort Benson said 22.8 per cent of the issue had been bought in by yesterday's market close.

The bonds were issued at the height of the bull equity market in 1987 and carry the right to convert into Storehouse ordinary shares at £3.46. Storehouse shares were yesterday trading at 132p, close to their 12-month high. The bonds have been yielding around 18 per cent in the secondary market.

However, bondholders have the right to put the bonds back to the company in April 1992 at 126.9 per cent plus accrued interest. Storehouse has decided to pre-empt the put option rather than waiting to face a £90m redemption bill in 19 months' time.

● Taylor Woodrow, the UK construction company, has launched a programme to buy back an £80m domestic issue. The company is offering to repurchase the 9¼ per cent debentures due 2014 at an ex-dividend price of 78.53. When the programme was launched last Friday, this represented a yield spread of 105 basis points above the 9 per cent UK gilt due 2008. The offer period runs until September 13, arranger Hambros Bank said.

UK companies can repurchase bonds which are trading at a discount, yet pay no tax on any capital gain.

Taylor Woodrow does not plan to refinance the debt in the bond market, but may call on some bank financing.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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In conjunction with the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Monday September 3 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Aug 31 Index No.	Thu Aug 30 Index No.	Wed Aug 29 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (195)	762.55	....	14.89	6.09	8.22	24.69	762.56	762.20	754.95	1006.19
2	Building Materials (26)	954.10	-0.8	15.93	6.32	7.75	31.55	961.83	966.48	963.24	1178.14
3	Contracting, Construction (36)	1211.34	-0.3	19.45	6.76	6.68	38.33	1214.75	1223.11	1215.78	1565.46
4	Electricals (10)	2115.94	-0.2	13.86	6.33	8.83	63.54	2119.80	2092.81	2054.25	3032.45
5	Electronics (27)	1619.91	+0.1	10.20	4.96	13.28	55.48	1618.30	1612.24	1600.44	2271.49
6	Engineering-Aerospace (8)	434.53	+1.4	15.09	5.41	7.89	10.79	428.51	426.31	420.11	0.00
7	Engineering-General (46)	416.51	+0.1	14.56	6.20	8.29	13.09	416.00	417.03	412.78	0.00
8	Metals and Metal Forming (6)	429.97	+0.4	26.84	7.81	4.53	16.68	428.05	423.21	416.61	531.49
9	Motors (13)	309.53	+0.2	17.34	7.62	6.71	12.78	308.95	309.89	304.56	369.09
10	Other Industrial Materials (23)	1352.63	....	12.92	5.90	8.93	39.65	1351.89	1351.29	1336.96	1867.15
21	CONSUMER GROUP (178)	1195.48	-0.4	10.21	4.25	12.11	25.09	1200.00	1195.64	1176.34	1417.92
22	Brewers and Distillers (22)	1482.68	-0.5	10.38	3.93	11.67	30.46	1490.32	1483.43	1446.26	1564.95
25	Food Manufacturing (20)	1013.12	....	11.33	4.76	10.90	23.22	1012.54	1007.31	997.02	1220.42
26	Food Retailing (16)	2426.74	....	9.32	3.39	13.74	45.88	2427.37	2397.92	2379.68	2716.47
27	Health and Household (16)	2310.02	-0.1	7.50	2.99	15.84	29.07	2313.44	2305.89	2247.78	2772.31
29	Leisure (32)	1242.96	-0.8	11.97	5.04	10.14	35.86	1252.97	1257.55	1245.19	1816.88
31	Packaging & Paper (12)	529.71	+0.1	12.47	6.52	9.86	14.71	529.34	527.85	523.28	623.86
32	Publishing & Printing (16)	3114.01	+0.1	11.67	6.02	10.74	105.00	3110.72	3109.02	3070.51	3883.87
34	Stores (33)	785.50	-1.2	11.26	4.81	11.49	16.55	794.88	794.19	784.73	921.71
35	Textiles (11)	421.57	-0.4	14.46	8.53	8.71	18.80	423.10	423.84	423.86	582.76
40	OTHER GROUPS (107)	1028.44	+0.1	12.47	5.78	9.69	28.17	1027.50	1027.52	1018.11	1218.93
41	Agencies (16)	1204.19	+1.2	8.46	3.25	14.28	20.34	1190.15	1203.46	1201.43	1628.15
42	Chemicals (24)	1057.28	-0.2	12.54	6.28	9.42	43.91	1059.26	1049.97	1039.97	1360.85
43	Conglomerates (15)	1424.96	-0.2	11.82	7.00	10.17	34.42	1427.29	1433.26	1414.07	1781.11
44	Transport (13)	1962.31	-0.6	12.64	5.30	10.04	49.33	1974.96	1978.55	1963.93	2440.47
46	Telephone Networks (2)	1141.77	+0.4	11.73	4.93	11.10	26.09	1137.09	1133.36	1114.97	1147.01
47	Water (10)	1941.47	-0.8	15.86	6.98	7.09	68.12	1956.49	1971.15	1959.88	0.00
48	Miscellaneous (27)	1518.77	+0.6	14.47	5.91	7.87	43.04	1509.17	1508.88	1512.79	1955.24
49	INDUSTRIAL GROUP (480)	1043.37	-0.1	12.00	5.15	10.20	26.72	1044.89	1043.03	1030.05	1271.10
51	Oil & Gas (20)	2486.86	+2.1	10.03	4.96	13.05	70.93	2435.70	2404.83	2378.37	2206.74
59	500 SHARE INDEX (500)	1160.96	+0.2	11.68	5.12	10.57	30.29	1158.51	1154.45	1140.34	1351.10
61	FINANCIAL GROUP (107)	711.94	-0.4	-	6.64	-	28.24	714.72	713.25	708.28	824.32
62	Banks (9)	764.03	-0.8	21.40	7.52	6.12	41.50	770.32	770.19	762.73	841.38
65	Insurance (Life) (7)	1364.30	+0.4	-	5.42	-	37.79	1358.35	1349.27	1320.05	1256.48
66	Insurance (Composite) (6)	601.87	-0.7	-	7.05	-	21.72	606.19	605.47	601.56	650.42
67	Insurance (Brokers) (8)	850.68	+0.4	10.05	7.55	13.12	33.25	847.24	850.40	849.91	1006.42
68	Merchant Banks (7)	382.66	-0.2	-	5.31	-	11.93	383.53	381.26	378.14	400.37
69	Property (47)	937.13	-0.1	9.21	5.23	13.91	22.64	937.90	937.01	942.69	1394.87
70	Other Financial (23)	256.38	+0.2	11.03	6.90	11.79	8.95	255.79	255.21	253.82	372.31
71	Investment Trusts (66)	1075.51	+0.5	-	3.67	-	22.49	1070.34	1063.99	1045.57	1283.09
91	Overseas Traders (5)	1275.14	....	10.93	7.17	10.93	59.65	1274.97	1270.46	1240.00	1449.62
99	ALL-SHARE INDEX (678)	1052.48	+0.1	-	5.30	-	29.47	1051.08	1047.54	1035.28	1222.69

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 31	Aug 30	Aug 29	Aug 28	Aug 24	Year ago
FT-SE 100 SHARE INDEX‡	2166.6	+3.8	2176.7	2163.5	2162.8	2153.6	2125.7	2126.1	2086.4	2419.2

FIXED INTEREST

	PRICE INDICES	Mon Sep 3	Day's change %	Fri Aug 31	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	116.87	+0.06	116.84	0.04	8.12
2	5-15 years	120.41	+0.28	120.07	-	9.43
3	Over 15 years	122.69	+0.39	122.95	0.74	8.25
4	Irredeemables	138.50	+0.54	138.11	0.35	8.85
5	All stocks	121.25	+0.22	121.10	0.11	8.97
	Index-Linked					
6	Up to 5 years	149.50	....	149.49	-	2.46
7	Over 5 years	136.82	-0.07	136.91	-	2.86
8	All stocks	137.66	-0.06	137.75	-	2.83
9	Debentures & Loans	98.43	+0.55	97.89	-	8.36
10	Preference	74.60	+0.08	74.54	-	4.01

	AVERAGE GROSS REDEMPTION YIELDS		Mon Sep 3	Fri Aug 31	Year ago (approx)
	British Government				
1	Low	5 years	11.02	11.07	9.63
2	Coupons	15 years	11.02	11.07	9.24
3		25 years	11.02	11.07	9.16
4	Medium	5 years	12.02	12.04	10.59
5	Coupons	15 years	11.53	11.59	9.66
6		25 years	11.27	11.34	9.28
7	High	5 years	12.12	12.15	10.69
8	Coupons	15 years	11.79	11.86	9.85
9		25 years	11.56	11.65	9.44
10	Irredeemables	†	11.16	11.22	9.20
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.78	4.77	2.91
12	Inflation rate 5%	Over 5 yrs.	4.32	4.32	3.48
13	Inflation rate 10%	Up to 5 yrs	3.64	3.63	2.12
14	Inflation rate 10%	Over 5 yrs.	4.14	4.14	3.31
15	Debs &	5 years	14.08	14.12	12.89
16	Loans	15 years	13.10	13.21	11.60
17		25 years	12.83	12.90	11.14
18	Preference	†	12.79	12.79	10.16

‡Opening index 2166.2; 9 am 2176.7; 10 am 2173.5; 11 am 2169.6; Noon 2171.0; 1 pm 2169.7; 2 pm 2167.9; 3 pm 2164.1; 4 pm 2167.1; 4 10 pm 2167.4; (a) 8.58am (b) 2.46pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	58	12	27
Corporations, Dominion and Foreign Bonds	1	5	16
Industrials	247	324	997
Financial and Properties	173	105	457
Oils	32	12	44
Plantations	0	0	10
Mines	62	12	86
Others	100	18	127
Totals	673	488	1,764

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	111	110	ABI Leisure 10p	111	+1	R4.7	3.3	5.6	7.2
-	F.P.	-	7½	4	Barrett & Fountain Wts.	7		-	-	-	-
50	F.P.	-	49	42	ECU Trust 10p	47		-	-	-	-
-	F.P.	-	23	17	Do Warrants	20		-	-	-	-
-	F.P.	-	46	33	Exp Co of Louisiana Wts	45	-1	-	-	-	-
2	F.P.	-	2	1½	Finlan Group 1p	1¼					
-	F.P.	-	14	6	Fisher (Albert) Warrants	7¼		-	-	-	-
300	F.P.	-	101	78	French Property Trust	79		-	-	-	-
-	F.P.	-	39	30	Do Warrants	33		-	-	-	-
†	F.P.	-	75	43	Golden Vale Ir1p	46		uQ158%	5.1	3.2	8.4
100	F.P.	-	98	86	Jupiter Euro Inv Trust	88		-	-	-	-
-	F.P.	-	38	28	Do. Warrants	38		-	-	-	-
-	F.P.	-	23½	17	Latin Amer Inv Warrants	21	+2½	-	-	-	-
§108	F.P.	-	116	106	‡Levercrest 5p	106		R4.05	2.4	5.1	8.5
-	F.P.	-	44	18½	Lucas Inds. Warrants	21½	+½	-	-	-	-
-	F.P.	-	22	20	‡MMI 1p	22		1.0	2.4	6.1	8.5
96	F.P.	-	100	90	Malvern UK Index Tst10p	98		-	-	-	-
-	F.P.	-	7	4	‡Oliver Res Warrants	6	-1	-	-	-	-
†	F.P.	-	17	12	‡Paramount 2½p	12½		-	-	-	0.93
-	F.P.	-	31	21	Paribas French B Wrrnts	25	+2	-	-	-	-
100	F.P.	-	90	87	River & Merc Smaller Co	90		K3.75	-	5.6	-
-	F.P.	-	26	21	Do. Warrants	26		-	-	-	-
130	F.P.	-	156	143	Seton Healthcare 10p	146		L3.75	2.2	3.4	13.0
§100	F.P.	-	102	93	Siam Select. Growth Tst.	98	+1	-	-	-	-
-	F.P.	-	38	28	Do. Warrants	34	+2	-	-	-	-
-	F.P.	-	43	28	Santiago Fnd Warrants	26		-	-	-	-
-	F.P.	-	6	1½	‡Tullow Oil Warrants	3½	-½	-	-	-	-
-	F.P.	-	208	155	Turkey Trust	188		3.2	1.2	2.3	46.0
-	F.P.	-	75	70	Do Warrants	70		-	-	-	-
42	F.P.	-	2¼	1½	‡United Energy 1p	1¾		-	-	-	-
62	F.P.	-	2	½	‡Do. Warrants	¾		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
101.73	F.P.	-	103½	100	Anglian Water 5½pc Index-lnkd Ln 2008	103½	+1¼
100	F.P.	-	101	80	‡Bluebird Toys 12pc Cv Uns. Ln. 2005	85	
‡	F.P.	-	87p	65p	European Leisure 8.75p (Net) Cv Rd Pf	68p	+3
‡	F.P.	-	48	45½	Expl. Co. of Louisiana Ser A Cv Pf	47½	
100p	F.P.	-	115¼p	96p	Hepworth Cap Fin. 11¼pc Cv Bds 2005	105¼p	-½
100p	F.P.	-	102p	95p	Perkins Foods 8p (Net) Cv Rd Pf	96p	+1
‡	F.P.	-	90p	81p	Rank Org. 8.25p (Net) Cv Cm Rd Pf 20p	84p	+1
100p	25p	-	50p	26p	Reckitt & Colman 9.5pc Cv Bds 2005	35½pd	
100	F.P.	-	107⅝	101¼	Tesco Capital 9pc Cnv Cap Bd. 2005	105½	+¼
242p	F.P.	-	275p	237p	Tomkins Units Non Int Ln 6p	243p	
100p	F.P.	-	105p	85p	Wyndham Group 9.375pc Cm. Pf	85pd	
-	F.P.	-	55p	35p	York Trust 8.5p (Net) Rd.Cv.Pf 20p	38p	+2

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
61	F.P.	-	72	63	‡Assoc. Farmers	63	
20	Nil	-	¾pm	½pm	BDA Hldgs 10p	¾pm	
18	Nil	-	¾pm	¼pm	Broad Street	¼pm	
30	Nil	-	¼pm	¼pm	‡Filofax 5p	¼pm	
50	Nil	-	1¼pm	¼pm	Gardiner Group 5p	1¼pm	
87	Nil	-	16pm	4½pm	Pentos 10p	8½pm	+½
220	55	23/7	86	33	Ratners	54	+3
14	Nil	-	4pm	3pm	S.I Group 5p	3½pm	-½
10	Nil	-	2pm	¼pm	Sheraton Secs. Intl. 10p	¼pm	
180	Nil	-	4pm	¼pm	Telfos 20p	2pm	
16	Nil	-	2pm	1¼pm	Wentworth Intl Grp 10p	1¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ¶ Reintroduction. ‡ Unlisted securities market. * Third Market. ‡ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- ● First Dealings — Aug. 28
- ● Last Dealings — Sep. 14
- ● Last Declarations — Dec. 6
- ● For settlement — Dec. 17

For rate indications see end of London Share Service

Calls in Aviva Pet., Conroy Pet., Gold Mines Kalgoorlie options, Oliver Res., Tuskar Res., Polly Peck and Rosehaugh. Put in Caird.

LONDON TRADED OPTIONS

THERE WAS a sharp rise in turnover in traded options on London's derivative markets yesterday.

This contrasted with a very sluggish performance by the equity futures market, which analysts described as "extremely dull" and "tired and lacking in direction."

A total of 31,374 traded option contracts were exchanged as opposed to 22,485 on Friday. The emphasis was on calls - 18,448 yesterday and 10,995 on Friday - with 12,926 puts (11,490 on Friday).

There was also heavy trading in options on the FT-SE index which accounted for 9,307 contracts, comprising 3,344 calls and 5,963 puts.

and 312 December contracts exchanged.

Dealers said the day began with a slight bear squeeze and after an early high of 2,200, the September futures contract dropped to close at 2,176.

There was a feeling that dealers were beginning to offload the September issue in favour of the December stock which closed at 2,233.

At the close, the September premium was only ten points above cash which was estimated by market traders to represent an effective seven-point discount to fair value.

Among the equity options there was heavy dealing in Polly Peck - 1,369 option contracts were traded on the floor (703 calls and 666 puts) with one securities firm taking 400 of the November expiry calls and the same number of puts.

The most actively traded option was in Rolls Royce - 3,123 contracts changed hands - followed by BP - 2,004 contracts.

Wall Street's closure for Labor Day was partly blamed for the slowdown on the London International Financial Futures Exchange which saw only 1,994 September FT-SE 100 futures index contracts

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allid Lyons	460	41	67	73	8	17	22
(*485)	500	17	34	50	27	33	38
	550	4½	17	30	68	70	70
ASDA	100	17	22	-	2½	4	-
(*113)	110	9	16	19	5	7½	9
	120	4½	11	14	11	13	14
Brit. Airways	160	18	21	27	5	8	11
(*172)	180	7	12	16	14	18	22
	200	2	6	10	32	34	35
SmKl Beecham A	500	49	70	85	8	15	18
(*535)	550	19	40	57	26	34	37
	600	4	21	35	67	67	68
Boots	280	21	32	42	7	11	13
(*294)	300	10	20	30	15	20	22
	330	5½	9	16	38	39	40
B.P.	330	47	57	64	3½	6	7
(*370)	360	21	36	44	8½	13	15
	390	7	19	29	23	26	28
British Steel	120	11	16	19	1½	3½	5
(*128)	130	5	9	13	6	8	9
	140	2½	5	8½	13	15	15½
Bass	1000	70	97	127	16	35	38
(*1041)	1050	38	67	97	37	57	62
	1100	18	45	72	68	85	90
C & Wire	420	62	78	94	4	9	13
(*470)	460	30	51	67	13	20	26
	500	11	31	45	37	42	46
Courtaulds	297	25	-	-	7	-	-
(*310)	300	-	35	46	-	14	18
	327	8	-	-	23	-	-
Com. Union	420	53	69	76	3	6	10
(*462)	460	22	42	48	14	16	25
	500	5	22	29	42	42	48
GKN	300	52	65	70	2	5	9
(*345)	330	27	43	48	7	11	17
	360	9	24	30	22	24	33
Grand Met.	500	70	-	-	5	-	-
(*559)	550	32	58	70	16	23	31
	600	12	33	45	46	50	55
I.C.I.	850	87	124	140	8	19	33
(*914)	900	47	90	107	20	34	53
	950	24	60	78	47	59	74
Kingfisher	300	45	56	67	3½	6	8
(*340)	330	19	33	47	12	16	19
	360	5	20	30	30	33	34
Ladbroke	260	31	39	49	5	11	14
(*282)	280	17	27	37	13	19	22
	300	7½	18	27	26	30	34
Land Secur	460	35	53	70	8	14	16
(*482)	500	13	28	47	24	32	35
	550	4	13	25	70	70	72
M & S	200	38	44	-	1½	3	-
(*233)	220	20	29	38	4	9	11
	240	8	16	26	12	17	20
STC	220	34	46	50	2½	6	8
(*248)	240	19	33	37	9	13	16
	260	11	21	27	17	21	24
Sainsbury	280	28	38	49	4	7	9
(*300)	300	14	24	35	9	14	17
	330	4	12	20	32	32	34
Shell Trans.	460	33	50	60	10	14	20
(*484)	500	11	33	40	32	35	40
	550	2½	13	22	72	73	75
Storehouse	120	17	23	28	3	6	7
(*132)	130	10	16	21	6	10	11
	140	5½	9	15	11	14	16
Trafalgar	220	21	27	33	8	16	19
(*232)	240	9	17	23	15	25	28
	260	4	10	17	30	40	42

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Utd. Biscuits	300	29	41	47	5	9	13
(*324)	330	9	15	30	17	23	26
	360	3	11	18	45	44	47
Unilever	600	51¼	70½	89½	9¼	19	23¾
(*628)	650	20¾	40½	59¼	31¼	39¼	44½
	700	6¼	21¼	37½	70½	73¼	76¼
Ultramar	330	33	52	62	6	12	16
(*355)	360	16	32	42	17	25	30
	390	5	-	-	38	-	-

Option		Nov	Feb	May	Nov	Feb	May
Brit. Aero	500	59	80	94	11	17	23
(*544)	550	28	50	63	33	39	43
	600	12	29	40	70	72	72
BAA	360	48	-	-	6	-	-
(*392)	390	27	40	53	18	25	28
	420	17	30	38	39	43	47
BAT Inds	500	45	67	77	16	20	27
(*529)	550	18	40	50	40	45	53
	600	-	20	30	-	85	88
BTR	330	43	58	64	5	9	14
(*369)	360	22	38	45	16	20	24
	390	10	22	30	33	37	39
Brit. Telecom	260	35	41	-	3	6	-
(*285)	280	20	28	38	7½	13	14
	300	9½	17	27	17	21	23
Cadbury Sch	330	22	37	42	14	17	22
(*334)	360	8	22	28	32	34	40
Guinness	700	47	78	95	23	30	35
(*714)	750	21	50	67	52	55	60
GEC	180	15	20½	27	6	8	9
(*185)	200	5½	10½	16	17	19	20
Hanson	200	19	21½	30	4½	9	10
(*210)	220	8	12	18	14	19	21
LASMO	460	57	82	95	10	17	20
(*499)	500	35	55	70	22	30	35
P. & O.	500	54	75	82	12	16	22
(*541)	550	22	45	52	33	37	45
Pilkington	160	11	17	23	10½	13	17
(*155)	180	4½	8½	14	28	29	30
Polly Peck	280	33	47	57	25	34	42
(*285)	300	24	38	50	37	46	50
Prudential	200	23	32	34	4	6	8
(*218)	220	11	19	21	13	14	17
Racal	160	22	29	35	5½	7½	11
(*172)	180	9½	17	24	15	17	19
R.T.Z.	460	37	57	64	18	24	34
(*473)	500	17	37	45	40	47	52
Scot. & New	330	32	40	53	11	17	21
(*341)	360	14	26	35	28	32	35
Tesco	220	23	33	40	5	7	8
(*234)	240	10	20	27	13	15	16
Thames Water	220	-	-	32	-	-	11
(*228)	230	13	21	-	9	14	-
Water Hldg Pkg	2200	160	230	-	70	95	-
(*12233)	2250	120	210	-	80	120	-

Option		Sep	Nov	Jan	Sep	Nov	Jan
Ferranti	25	1½	3	4½	4½	4½	6
(*23)	29	½	1¼	3½	9	9	9

Option		Sep	Nov	Feb	Sep	Nov	Feb
Lucas Inds	130	9	12	17	5	10	13
(*134)	140	3½	6	12	11	13	19

Option		Oct	Dec	Mar	Oct	Dec	Mar
Reuters	800	85	119	145	25	40	50
(*849)	850	55	88	117	45	57	72

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Abbey Nat.	200	11	22	29	3	7	9
(*208)	220	3	11	17	13	15	17
Amstrad	50	10	12	15½	1½	2½	3½
(*58)	60	3	6½	10½	4½	7	8
Barclays	357	10	29	-	14	15	-
(*357)	360	-	-	39	-	-	22
Blue Circle	200	11	18	25	5	10	13
(*205)	220	3	9½	17	20	23	25
British Gas	220	8	18½	25	4½	7½	10
(*224)	240	1½	9	15	18	20	23
Dixons	130	12	19	24	3½	7	9
(*134)	140	5	13	17	8	10½	13
Glaxo	700	45	67	97	6	26	32
(*736)	750	14	40	69	25	50	57
Hawker Sidd.	460	32	47	62	9	20	22
(*484)	500	9	25	38	25	35	40
Hillsdown	240	23	33	44	2½	8	10
(*259)	260	9	21	32	8	14	17
Lonrho	240	-	-	27	-	-	18
(*243)	255	4	15	-	14	18	-
Midland Bk	240	23	38	46	4	10	16
(*258)	260	10	27	33	12	20	27
R. Royce	180	14	21	28	3	6½	9
(*191)	200	3½	10	17	13	16	18
Sears	90	5	9	12	3	6½	7½
(*90)	100	1½	5	7½	12	13½	14
THF	240	18	26	35	2	7	11
(*254)	260	6	15	25	10½	17	20
Thorn EMI	600	35	62	-	6	22	-
(*627)	650	9	33	52	32	40	46
TSB	130	3½	12	13	4	7	8
(*130)	140	1	8	9	12	13	14
Vaal Reefs	80	5½	14	19	6	13	17
(*581)	90	4	12	16	13	18	22
Wellcome	460	25	47	67	12	27	32
(*469)	500	7	30	47	37	47	52

EURO FT-SE INDEX (*2167)

	2025	2075	2125	2175	2225	2275	2325	2375
CALLS								
Sep	172	129	91	63	39	22	12	7
Oct	200	170	135	104	74	55	36	26
Nov	220	-	148	-	92	-	51	-
Dec	238	-	165	-	108	-	67	-
Mar	280	-	210	-	150	-	103	-
Jun	320	-	252	-	193	-	147	-
PUTS								
Sep	21	29	42	61	88	121	163	186
Oct	33	43	55	70	97	126	160	197
Nov	35	-	62	-	103	-	160	-
Dec	40	-	64	-	103	-	158	-
Mar	68	-	100	-	140	-	181	-
Jun	60	-	83	-	115	-	160	-

FT-SE INDEX (*2167)

	2000	2050	2100	2150	2200	2250	2300	2350
CALLS								
Sep	192	148	110	78	50	33	19	11
Oct	218	178	143	110	82	60	44	32
Nov	241	202	165	134	105	82	62	47
Dec	258	220	185	150	123	98	78	60
Jan †	335	-	267	-	207	-	153	-
PUTS								
Sep	18	26	35	52	78	110	152	198
Oct	29	36	50	68	93	125	163	205
Nov	31	42	55	74	98	129	165	205
Dec	39	48	62	78	102	130	163	205
Jun †	60	-	80	-	120	-	175	-

September 3 Total Contracts 31,374
Calls 18,448 Puts 12,926
FT-SE Index Calls 3,344 Puts 5,963
Euro FT-SE Calls 103 Puts 559
*Underlying security price. † Long dated expiry months

UK COMPANY NEWS

Rising export sales help ASW edge ahead to £21m

By Andrew Hill

ASW HOLDINGS, the Welsh steel and wire group, pushed up profits by 5 per cent in the first half of 1990, in spite of a drop in UK turnover.

Bolstered by a rapid improvement in sales into continental Europe the company made £21.1m before tax in the six months to June 30, compared with £20.1m in the equivalent period.

However, operating profit before interest was slightly lower at £20.8m (£21.2m), and operating margins slipped from 9 per cent to 8.26 per cent.

Mr Chris Lyddon, finance director, said ASW was now demonstrating its ability to offset declining sales in the static UK market with exports.

UK turnover came down from £186.1m to £169.3m, but sales in Europe rose 69 per cent to £75.3m (£44.6m).

"We've been given the opportunity to show we're a steady performer, not just a flash in the pan," said Mr Lyddon yesterday.

"We always predicted that our growth would come from Europe, where we've gradually built up sales and customer confidence" he added.

He said ASW was well-placed to weather any difficulties in the UK market.

Only about a third of total group business comes from the construction market and the great majority of sales in that sector are to customers involved in large infrastructure projects rather than housebuilding.

Mr Lyddon added that the strength of sterling against the D-Mark would not create any problems for ASW's export business unless the pound rose above DM3.20.

ASW still has net cash in its balance sheet at the halfway stage, which helped to turn an interest charge of £1.1m in the first half of last year into a £300,000 payment.

Earnings per share rose from 18.9p to 19.5p, or, on a fully diluted basis, from 15.7p to 16.1p, assuming conversion of British Steel's holding of preference shares.

An interim dividend of 4.5p is declared, 12.5 per cent up on last time's 4p.

● COMMENT

City observers are still divided about ASW's fortunes. In spite of the growth of sales into Europe, some believe the group's conviction that it can supply continental clients from the UK will stretch working capital requirements; in any case, the bulk of ASW's turnover is still generated in the weaker UK market. On that *pessimistic outlook the group* seems unlikely to match last year's pre-tax figure of £40.4m, and profits could slip to £38m. However, the more bullish analysts believe ASW's basic earnings could rise from 36.6p to about 40p in the full year, assuming pre-tax profits of £44m, buoyed by the increasing contribution from European sales and helped by a continued squeeze on costs. The shares were unchanged at 223p yesterday, and ASW looks solid. But uncertainty in the industry means it could be a little while before a prospective p/e of less than 6 becomes a real bargain.

£21m waste deal for NFC

NFC, the Bedford-based transport, distribution and travel group, has paid £21m for long leases over certain of the Manchester Ship Canal Company's waste disposal interests in a deal that will make its Waste Management subsidiary the largest controller of landfill capacity in the north-west of England.

The transaction covers two sites in Cheshire containing up to 47m cu m of airspace. In each case, the term of the leases is 125 years.

As well as the initial lump sum, Waste Management will pay the vendor rent on an incremental scale, linked to the annual surplus from the landfill operations. In 1989 Manchester Ship received operating revenue of £1.2m from landfill and mineral operations at the sites in question.

"This investment reflects NFC's strategic aim to become one of the leading businesses in the waste management industry", said Mr James Watson, NFC chairman designate. In 1989, Waste Management produced record profits in all specialist waste handling activities.

Mr Watson said further investment by Waste Management was earmarked "on a national basis." It planned to develop further sites in Sussex and Humberside.

NFC recently reported pretax profits up 4 per cent to £56m for the 37 weeks to June 16. Improved returns in contract hire and waste management helped to offset volume and margin pressures elsewhere in the transport division.

Berisford selling Lloyd's agency stake

By Clare Pearson

BERISFORD International, the troubled sugar and property group, expects this month to sell its 75 per cent stake in Mocatta Dashwood Members Agents, the Lloyd's agency, to Octavian, the larger Lloyd's underwriting group.

Octavian says this will make it one of the largest privately-owned managing and members agencies at Lloyd's.

For Berisford, however, the deal will form a small part of a much bigger disposal programme to be dominated by the auction of British Sugar, which is expected to commence next week.

The disposal will mean a new job in the underwriting world for Sir Francis Dashwood, the premier baronet of Great Britain who merged his underwriting agency with Berisford's Mocatta agency in June 1988. Subject to the agreement of Lloyd's, he is take over as chairman of the merged Octavian and Mocatta members' agency.

Assuming it goes through, the sale is thought to be worth about £4m.

It will mark the second disposal of a financial services business to be made by Berisford since it announced in July it was putting all its assets up for sale. Last month it said it had sold its factoring subsidiary.

Buy-out at Parkfield division

By David Owen

THE ADMINISTRATORS of Parkfield Group completed their first major disposal yesterday with the sale of the collapsed mini-conglomerate's pressings and fabrications division to a management buy-out team for £28m.

The buy-out was led by Phildrew Ventures, which will retain an equity stake of about 70 per cent in the business.

The unit is to be renamed United Pressings and Fabrication. According to Mr Robert Jenkins, a Phildrew partner who will be joining the UPF board, the opening balance sheet will show gearing of some 50 per cent. The financing includes a mezzanine loan package from Intermediate Capital Group and a debt package from National Westminster. Intermediate is to take an equity stake of some 10 per cent in the venture.

Overall management equity will total about 20 per cent, split – in Mr Jenkins' phrase – between "a small handful" of individuals. Initially, only Mr Keith Evans, managing director, and Mr Tim Bell, finance director, will have equity holdings. The long-term strategy, according to Mr Jenkins, is to effect a flotation "within a three-to-five-year period."

The Parkfield pressings and fabrication business, which has more than 1,000 employees, specialises in the manufacture of vehicle chassis, steel wheels, fuel tanks and satellite dishes.

Correction
Mr Rodger Young

In our issue dated 31st August 1989 we published an article concerning, in part, Hi-Lo Engineering Limited, which went into liquidation in the summer of 1989. We reported a statement by the liquidator at a creditors' meeting on 30th August 1989 to the effect that the company "had failed because excessive servicing and repair costs had caused insupportable losses" and that the administration of the company had been "cavalier". We are happy to make it clear that Mr Young, the chairman of Byco Trust Limited, who was also referred to in the article, was only a director of Hi-Lo Engineering Limited between January and October 1987 and that he was therefore not responsible for the failure of the company. We apologise to Mr Young for this omission.

Invergordon Distillers rises to £8.2m

By Clare Pearson

INVERGORDON Distillers, the Scottish whisky company, says it is on course to match the profits forecast made when it returned to the stock market via a £171.5m flotation four months ago.

The company yesterday unveiled pre-tax profits of £8.2m for the six months to June 30 on turnover of £43.7m. The comparative figures for 1989 were £5.4m and £39m.

Mr Chris Greig, managing director, said "short of unforeseen disasters" the company fully expected to achieve pre-tax profits of not less than £21.3m in the year to end-December.

This would be in line with its forecast at the time of the flotation. That ended a 19-month absence from the market when the company staged a £93m management buyout in autumn 1988.

The board is recommending an interim dividend of 2p. Earnings per share rose to 4.4p (3.9p). The shares, floated at 135p in May, closed 2p down at 132p.

Invergordon distils Scotch grain and malt whiskies as well as neutral spirit used as a base for gin and vodka. It is a supplier of own-label spirits in the UK and Europe, but also has its own brands such as The Original Mackinlay. About 60 per cent of its mature whisky sales, about 80 per cent of total turnover, come from exports.

Mr Grieg said Invergordon's export sales had outperformed the Scotch whisky industry as a whole, both in volume and value, in the period. The industry recorded a 4 per cent decline in volume and 14 per cent gain in value; Invergordon, by contrast, achieved a 5 per cent rise in volume and 20 per cent increase in value.

Duty on sales increased from £500,000 to £3.8m reflecting the acquisition of a duty-paid contract to supply Safeway, the UK supermarkets group, with own-label whisky.

Interest took £4.9m (£5.2m). The company, which raised just £21m of new money at its flotation, is about 125 per cent geared at the moment.

Colin Pierce

Dr Chris Greig, managing director of Invergordon Distillers

● COMMENT

Invergordon does not look badly placed at the moment. Like other whisky companies, it should be relatively insensitive to a strong pound both because it invoices in sterling and because, in the past, demand for whisky from overseas consumers has proved resilient in these circumstances. In fact, in so far as it exerts downward pressure on interest rates, a strong currency is good news for Invergordon as it is still bearing a heavy burden of debt. The prospect of debt reduction indeed virtually ensures the company reasonable growth over the short-term; analysts expect pre-tax profits to reach about £26.5m in 1991. All that said, even on the kindest view the shares look no more enticing than fairly valued at the moment which on a 1990 forecast prospective p/e of 11.6 stand at a premium to the market. They are also at a discount to Guinness and the other quoted whisky companies: but since Invergordon, with strengths in low cost production rather than premium brands, is much more exposed to changes in the balance of whisky supply and demand, that is certainly where they should be.

22% advance lifts EIS profit to over £6.6m

EIS GROUP, a maker of process equipment and mechanical seals and aircraft and precision engineering, showed an increase of 21.5 per cent in pre-tax profits in the first half of 1990.

Profits rose from £5.48m to £6.66m, and came from turnover 13 per cent higher at £86.4m (£76.19m). Earnings were 14.526p (13.382p) and the interim dividend is raised to 3.025p (2.75p).

There was an extraordinary provision of £488,000 being uninsured costs in relation to contracts for Iraq.

Group order books had increased again, though improvement was not spread uniformly across all companies. Capacity had also increased at the new aircraft galley factory in Dafen, South Wales, the directors stated.

Unidare improves

Unidare, the Dublin-based maker of welding equipment and polythene and PVC pipes, announced pre-tax profit of I£2.31m (£2.08m) in the first half of 1990. That compared with I£1.77m last time. The interim is 3.9p (3.55p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
ASW	int	4.5	Nov 2	4	-	11
Betacom	int	nil	-	1	-	1.1
Church	int	3	Oct 22	3	-	12.5
EIS	int	3.025	Dec 31	2.75	-	10.45
Emess	int	1.3	Nov 22	1.2	-	3.4
Goodhead	fin	3.75	Oct 29	3.75	5.5	5.5
Invergordon Dist	int	2	Oct 10	nil	-	nil
Linread	int	2	Oct 16	1.8	-	5.7
Mid-States	int	1.5☆	Nov 9	-	-	-
Murray Inc Tst	fin	5.55	Oct 24	4.7	9	8.2
Pendragon	int	1.6	Oct 10	-	-	-
Perkins Foods	int	1.5†	-	1.4	-	5.1
Persimmon	int	2.3	-	2	-	6.5
Polly Peck	int	5.5	Jan 15	4.5*	-	11.8*
Unidare	int	3.9♦	-	3.55	-	13.6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. #Third Market stock. ☆Includes special 0.75p interim. ♦Irish currency.

UK COMPANY NEWS

Polly Peck surges 72% to £111m

By Nigel Clark

BOOSTED BY its acquisition of Del Monte's fresh fruit business and a "spectacular first half" by the Vestel electronics offshoot, Polly Peck International increased pre-tax profits by 72 per cent from £64.4m to £110.5m in the first half of 1990.

The result was achieved in spite of a turnround from net interest received of £4.7m to payments of £18.3m.

Mr Asil Nadir, chairman and chief executive, said that Polly Peck's exposure to Iraq and Kuwait was minimal, answering concern about the likely effects on the company of the present situation in the Gulf.

The food division saw profits increase from £50.7m to £86.8m of which acquisitions, mainly Del Monte, contributed £29.6m.

Divisional turnover increased to £572.2m (£266.5m) which was higher than the total of £571.2m for the whole of last year.

Mr Nadir said that the improvement was due to strong demand for all products, particularly in western and eastern Europe. There had also been increased productivity.

Of the £22.4m (£13.3m) achieved by the electronics side Vestel contributed £18.9m, which represented a five-fold increase. The group said that there had been large increases in volume in all product lines for the Turkish-listed subsidiary, particularly computer monitors.

Other companies in the division produced similar levels of profitability to those of the comparable period in spite of weakness in some of their major markets. The result would have been higher but for a loss of £6.1m by Sansui, which was better than had been expected.

Turnover for the electronics arm was £281.5m (£195.1m).

Of the other divisions leisure reported profits of £500,000 (nil) on turnover of £10.1m (£3.4m) and textiles made no contribution, against £200,000 last time on turnover of £16.9m (£47.3m). Of the leisure side Mr Nadir said that its profits were expected to grow as the group's hotels became full operational.

Overall, organic growth accounted for 35 per cent of the rise in profits, the group said.

Gearing at the end of the period was 93 per cent. This was expected to fall as a result of the cash received and profit realised from the merger of Capetronic and Imperial businesses with Sansui and when the final proceeds from the Del Monte ship sale were received.

During the period the percentage of sales in the UK dropped from 19.5 per cent to 7.8 per cent. Its main markets were continental Europe with 32 per cent and the near and Middle East with 26.3 per cent.

Group turnover for the period was £880.7m (£512.3m). Tax took £16.4m (£9.6m) for earnings per share of 22.4p (17.8p) or 21.5p (16.6p) fully diluted. The interim dividend is 5.5p (4.5p adjusted) and there is a scrip option.

There was an extraordinary credit of £40.5m relating to the profit realised on the flotation of a minority interest in Vestel.

Playing with fire to rescue ailing Sansui

Ian Rodger in Tokyo describes how a foreign group was able to take over a quoted Japanese company

A YEAR AGO, not many people would have given Sansui, the small Japanese audio equipment maker, much of a chance of survival.

Indeed, the deeply troubled company was unable to find anyone in Japan willing to rescue it, thus making possible the rare event of a takeover of a quoted Japanese company by a foreign group.

When Polly Peck International came along last October and paid Y15.6bn for a 51 per cent stake, many were sceptical about the move, and some still are.

"I tell our clients that if they want to play with fire, okay, but they may get burned," Mr Chuck Goto, of SG Warburg Securities in Tokyo, said this week.

However, Sansui appears to be on the mend. According to Mr Koichi Enomoto, the company's director of business planning and operations, it is about to start making operating profits for the first time in five years and, thanks to Polly Peck's resources, it has begun to bring out new products again.

"It has been a good association for both sides," Mr Enomoto commented.

Polly Peck said at the outset that its objective in taking over Sansui was to get a position in the hyperactive Japanese consumer electronics market.

Its large Capetronics and Imperial subsidiaries manufactured consumer electronic products in Taiwan and Malaysia and marketed them mainly in the US and Europe, but they needed access to the latest technical and product developments, most of which happen in Japan.

Conversely, Polly Peck thought Sansui's own fortunes could be revived in part by giving it better access to foreign markets through Capetronics and Imperial channels.

The UK-based company took control of Sansui in January and nothing much was heard for the first few months other than the expected report of the company's latest financial reverses, a pre-tax loss of Y3.7bn on sales of Y7.15bn in the irregular five-month period to March 31.

Then in May, Polly Peck announced that it would sell Capetronic and Imperial to Sansui for Y79.8bn. Sansui would issue new shares to finance the purchase and PPI would buy some 90 per cent of them, increasing its stake in the Japanese company to about 75 per cent.

The immediate result was to produce a huge new dividend income stream for Sansui, which is expected to enable the enlarged group to wipe out its Y20bn accumulated deficit in the current period to December and record a small net profit.

More important, it transformed Sansui from a small group with 1,000 employees in Japan to a worldwide group with 8,000 employees, thus facilitating the restructuring that Polly Peck wanted and Sansui needed. According to Mr Enomoto, Sansui has already been put in charge of research and development for Polly Peck's consumer electronics group.

Capetronics continues to hold total managerial responsibility for its computer peripheral business even though the financial results are channeled through Sansui.

As for production, the two Sansui factories in Japan will continue to make middle- to high-range products while the Taiwan and Malaysian factories make middle- to low-end ones. Taiwan is also making a video cassette recorder, which the group started to produce in July for export to the US.

Sansui maintains total marketing responsibility for Japan and expects to continue to sell mainly under its own name. It also takes on responsibility for marketing group products in export markets other than Europe and the Americas.

Regional marketing headquarters are being set up in the US and Europe and they will coordinate with Tokyo on product development.

One reason why Sansui faced financial difficulty was that it was slow in shifting production out of Japan after the yen was revalued in 1986. The company exports about half of its output and margins on these sales came under heavy pressure in the later half of the 1980s.

Since the takeover, it has moved rapidly. "In the second half of the year, about 50 per cent of Sansui branded products will be made in Taiwan or Malaysia," Mr Enomoto said.

Sansui had also failed to broaden its product line, which was concentrated in high-end stereo sets in which the market was saturated.

This year, thanks to Polly Peck's backing, it has finally been able to exploit its licence from Victor Company of Japan (JVC) to make video cassette recorders. It has also introduced a new range of mid-price audio products, including an innovative compact disc changer.

Sales have begun to pick up for the first time in two years and operating results are improving. "We cannot cover our operating losses in the April to July period in the remaining months, but the profit situation is getting better every month," Mr Enomoto said.

"I feel comfortable, Sansui is now growing again," he commented.

Goodhead hit by advertising cut-backs

By Jane Fuller

CUTS IN spending on advertising hit Goodhead Group, the printing, publishing and design concern, which saw pre-tax profit fall by 28 per cent, from £5.57m to £4.02m, in the year to May 31.

Turnover advanced by 28 per cent to £78.44m (£61.24m). The figures were helped by Canadian publications acquired in May last year, which contributed sales of nearly £4m and profits of £570,000, and by Goodhead Direct, which specialises in readers' offers, and which contributed some £400,000 on sales of £4m.

The shares fell 5p to close at 71p.

In a management shake-up, five directors left the board and were replaced by four new divisional heads. Mr Colin Rosser, chairman and chief executive, said: "We decided to make an example at the top. Nothing is sacred."

He admitted the group had been a bit slow in taking action to reduce costs.

The biggest profit decline came in the publishing division, including free newspapers, which plummeted by £1m to £991,000, although turnover advanced to £26.5m (£19m).

Mr Rosser said the 20 per cent fall in advertising revenue accounted for most of the drop in profit.

Products were being rationalised under the Review newspapers and Why Magazines brands. The Eynsham office was to be sold and administrative staff moved to Bicester. Progress was also being made on direct input, saving production costs.

Print, the largest division, saw a near 10 per cent profit fall to £2.5m (£2.77m) on turnover of £33.23m (£29.79m).

A new printing plant at Bristol had lost money and the advertising squeeze had reduced pagination, putting pressure on margins. The number of sites had been reduced from seven to five.

The design division's profit contribution fell to £570,000 (£897,000). Although the client base had been widened, margins were depressed.

One division to improve profit was paper, making £794,000 (£495,000) on sales of £14.7m (£8.9m), although the newsprint market remained soft.

The cost-cutting measures had entailed shedding 150 of the group's 1,000 employees. Redundancy costs figured largely in an extraordinary bill of £550,000. A property sale raised £215,000, included as an exceptional.

Interest charges doubled to £2.13m (£1.05m) and gearing rose from just under 30 per cent to 60 per cent following the cash acquisitions. Mr Rosser said this would be brought down to less than 50 per cent by property deals and the removal of £1m of costs.

Fully diluted earnings per share fell to 13.9p (19.2p). The final dividend is maintained at 3.75p for an unchanged total of 5.5p.

Pargesa's Ansbacher sale is off

By David Barchard

THE PARGESA Group yesterday dropped its plans to sell its 61.6 per cent controlling stake in Henry Ansbacher, the London merchant bank.

The stake was put on the market on June 18.

Pargesa bought a 30 per cent interest in Ansbacher in 1984 and was later forced to inject a further £100m. The bank has subsequently returned to profitability and made a pre-tax profit of £10.1m in 1989.

Pargesa was looking for a European banking customer willing to take a more active involvement in the day to day affairs of the bank.

Yesterday Pargesa, which includes the Group Bruxelles Lambert and Banque Internationale à Luxembourg, said that its decision to abandon the sale had been taken in the light of the uncertainty surrounding the crisis in the Middle East and the prevailing economic conditions in the UK.

Analysts said yesterday that Pargesa's decision reflected a failure to find a buyer at an acceptable price.

When the stake was put on the market Ansbacher's shares stood at 78p, implying a value of £90m for the Pargesa stake – less than the cost of the investment.

Under the Takeover Code, a purchaser would have to make a bid for all Ansbacher's shares at a cost of about £145m.

Ansbacher's shares closed yesterday at 73p, down 8p on the day.

Persimmon falls 4% to £15m

By Andrew Jack

PERSIMMON, the York-based housebuilder, bucked the recent trend of disappointing house building results to return pre-tax profits of £15.54m for the six months to June 30, down only 4 per cent from £16.2m.

Shares rose 8p following the announcement, to close at 163p on the day.

The York-based housebuilder increased turnover 18 per cent to £67.89m (£57.34m) and reported house sale completions up to 971 from 766 in the comparable period.

But the average price per unit fell from £74,851 to £69,916 and reduced margins 6 per cent to 26 per cent on an operating of £17.77m (£18.44m).

Gearing was up 1 per cent to 32 per cent, and interest payable fell slightly to £2.23m (£2.24m).

Mr Duncan Davidson, the chairman, said: "We are in a cyclical industry, but as Persimmon's results over the last two years demonstrate, it is possible for the company to maintain its performance in difficult times."

He argued that the company's regional spread of housing, good management and a strong land bank had enabled it to do well "in a very difficult market."

Persimmon has 140 UK developments, and site offices as far south as Taunton and Crawley. But over half of its houses are in the north.

There had been some price discounting to maintain the volume of house sales, he said, but most of the decline in house prices was caused by a shift to less profitable first-time buyers.

The board recommended an increased dividend of 2.3p (2p), on earnings per share down to 13p (13.6p).

● COMMENT

"Yorkshire alchemy" is how one analyst describes Persimmon's performance, which stands alone amidst a sea of housebuilder losses at a time of severe UK property market depression. While some developers shares are only being bought on the prospect of recovery, Persimmon offers something more solid, although the company's property may not yet have reached its nadir. Its diverse but still northern-skewed portfolio has sheltered it from the far worse downturns in the south. Margins are holding up comparably well, and it has altered its ratio of trade-ups to the less profitable but more stable first-time buyers from 70:30 to 60:40. Its prudent land bank management means there have been no write-downs, and they have more than 9,000 plots with planning permission – four-and-a-half years at current production rates. Gearing is low and well under control and its policy of sales before construction allows it to predict 1,000 further purchases in the next six months. With full-year forecast profits of £29m giving earnings per share of 25p, the prospective p/e of 6.8 looks tempting.

Marginal growth by Gaskell

Gaskell, the carpet and carpet tile maker, marginally improved turnover and profit in the first half of 1990.

Sales were £20.84m (£19m) and profit £1.06m (£1.04m). Interest cost rose to £444,000 (£261,000) and there was little prospect of a reduction in the charge in the second half.

Capital expenditure at £840,000 was at a reduced rate.

Earnings per share worked through at 13.9p (13.7p) and the interim dividend is lifted to 3p (2.8p).

Linread turns in 7% improvement

Linread, a maker of special forged and machined precision components and fastener systems, lifted pre-tax profits by 7 per cent, from £1.56m to £1.67m, in the first half of 1990.

Turnover of £22.09m (£20.35m) and there were interest charges of £410,000 (£310,000).

Mr Peter Tabany, chairman, said both aerospace divisions performed well, and they had a promising future in spite of the impending reduction in defence expenditure and some expected destocking.

Earnings came to 8.9p (8.43p) and the interim dividend is raised to 2p (1.8p).

UK COMPANY NEWS

Currency moves behind 27% decline at Emess

By Clay Harris, Consumer Industries Editor

EMESS, the lighting and electrical fittings group, yesterday reported a 27 per cent decline to £6m in interim pre-tax profits, its first such setback for 20 years.

The results were hit by sterling's strength against the dollar and D-Mark, a £2.1m turnround in interest charges and by a £500,000 exceptional provision for money owed on an Iraqi order which was completed two years ago. The balance is now frozen by international sanctions against Baghdad.

Mr Michael Meyer, chairman, said trading conditions were worse than in 1974-76, the period during which he bought into the company, and in 1980-81, just after it joined the market.

The fall in profits from £8.2m in the first half of 1989 came on turnover ahead 22 per cent to £81.8m (£67m). Although diluted earnings per share declined by 23 per cent to 3p (3.9p), the interim dividend rises by 0.1p to 1.3p.

Trading profit of £6.2m would have been close to the previous year's £7.3m, Mr Meyer said, if not for the effect of currency translations. Emess does 60 per cent of its business outside the UK.

Its lighting subsidiaries include Marlin and JSB in Britain, Brillantleuchten in West Germany, Alsy in the US and Eclatec in France. It also owns the Tenby electrical accessories business and a graphics division.

Emess paid interest of £1.2m, against receipts of £900,000 in the 1989 half. The pre-tax result benefited from the treatment of a £2m profit on the sale of Royal Sovereign Group's stationery and graphics wholesaling business.

Mr Meyer said the profit had been taken as exceptional, rather than extraordinary, because it had always been Emess's intention to sell the division when it took full ownership of the Royal Sovereign parent company in January.

The Royal Sovereign gain was reduced to a net £1m exceptional credit by the Iraqi provision and the £500,000 cost of closing Alsy's plants on Long Island.

Emess said it was "cautiously optimistic" about the second half and predicted gearing of 50 per cent by the year-end.

● **COMMENT**

Emess is unlikely to have seen the worst yet, since the UK commercial lighting market may not bottom out until the fourth quarter. Currencies remain an Achilles heel, although the D-Mark's recent recovery is well-timed since Emess expects Brillant to produce profits in the second half. Panmure Gordon, the company's broker, has cut its full-year forecast from £19m to £16.5m, compared with the 1989 pre-tax outcome of £18.7m. At 59p, the shares are priced at 8.5 times prospective diluted earnings. The prospective yield is only a fraction less, assuming that Emess follows its previous practice in recession of letting cover slip below 2 and lifts the final dividend in line with the interim. The best one can say now is to hold for recovery and wait for cheaper buying opportunities.

B Elliott strengthens specialist tool side

By Jane Fuller

B ELLIOTT, the machine tool and engineering company, is strengthening its hand in the specialist tooling market through the acquisition of Garryson, a maker of cutting and abrasive tools.

The payment is £2.1m cash via a vendor placing of 2.68m ordinary shares at 78p each, and the issue of 2.6m special convertible preference shares. Mr Michael Frye, chairman, said the total value was between £3.5m and £3.8m.

Altogether, the number of ordinary shares being placed by SG Warburg is 4.94m and Elliott said the extra £1.7m cash raised would maintain net assets after the goodwill write-off.

The group would also have scope for small acquisitions. At the end of March, gearing stood at 17 per cent.

Leicestershire-based Garryson made pre-tax profits of £700,000 on sales of £3.9m in the year to March 31, when net assets were £1.5m. Its manufacturing operation fits in with Elliott's Insley Industries subsidiary, which is a distributor.

In the last financial year, Elliott increased pre-tax profits by 73 per cent to £7.6m on turnover of £124.8m. Mr Frye said that since the spring, trading conditions had worsened in the UK and South Africa and the pound's strength was adversely affecting overseas earnings.

Nevertheless, he was confident a satisfactory performance would be achieved in the current year.

The special convertible preference shares, which are not being listed, have a par value of 50p and a redemption value of £1 in 1999. From April 1992, they can be converted on the basis of 152 for 100 ordinary shares.

COMPANY NEWS IN BRIEF

DBS MANAGEMENT, a network of financial intermediaries traded on a matched-bargain basis, has purchased the capital of Professional Training Consultancy.

VISTA Entertainments made pre-tax profit of £21,000 in year ended March 31 1990 (loss £179,000) after exceptional debit £58,000. Turnover £11.09m (£7.59m). Tax credit £190,00 (charge £89,000) and earnings 0.256p (loss 0.513p).

MORRIS ASHBY has acquired the diecasting and machining assets of GEC Alsthom, a GEC subsidiary of Trafford Park, Manchester, for a consideration of £357,000, of which £107,000 is deferred for two years.

JAMES WILKES has paid £400,000 for the goodwill of the gency for the sale in the UK of playing cards made by Carta Mundi of Belgium. The price will be £200,000 in cash and £200,000 by the issue of 130,298 new ordinary shares.

Ashley Ashwood

Ian Blackburn (left), finance director of Perkins Foods, with Howard Phillips, chief executive

Overseas acquisitions assist Perkins Foods' rise to £7.12m

By Jane Fuller

PERKINS FOODS, the acquisitive group which moved from the USM to the main market in May, nearly doubled pre-tax profits from £3.73m to £7.12m in the first half of the year.

The figures included contributions from Peppino, the West German frozen pizza company, and two Dutch acquisitions, Van der Made frozen potato products and Holland Champignons. Mr Howard Phillips, chief executive, said 13 per cent of the growth was organic.

Overall, sales advanced by 32 per cent to £94.22m (£71.48m). The margin improvement followed the sale of the original John Perkins meat business.

The bulk of profit is made overseas. In the first half, 71 per cent of operating profit was from the Netherlands, 20 per cent from West Germany and the rest from the UK, according to Mr Ian Blackburn, finance director.

Fruit and vegetables accounted for £52.2m of sales and £3.76m of profits. The only comparison available was with the last full year, for which the figures were £63.77m and £6.02m respectively.

Mr Phillips said the division had benefited from a new contract to distribute New Zealand fruit, an agency agreement for a leading brand of French apples, and a good crop of Israeli new potatoes.

Frozen foods showed the fastest profit growth, totting up £2.2m on sales of £19.75m against £979,000 and £25.43m in 1989. Peppino was the biggest factor, with a new line operating from last December and another opened recently to serve a French supermarket chain.

The figures did have their disappointments. An influx of canned Chinese mushrooms, diverted from the US, had hit prices and there had been some fierce competition among chilled mushroom producers.

Under other activities, the most significant change was in interest received which increased to £900,000 (£400,000). Mr Blackburn said the group had net assets of £44m and net cash of £13m. The latest £28.9m rights issue had helped to restore a balance sheet weakened by goodwill write-offs.

The issue of convertible preference shares was linked to the £21.4m purchase in July of Bakker and De Soufflé in the Netherlands, establishing a new chilled convenience food division.

The group is about to apply for a listing on the Amsterdam stock exchange.

Fully diluted earnings per share increased to 4.1p (3.1p), and the interim dividend is raised to 1.5p (1.4p).

● **COMMENT**

Since Messrs Phillips and Blackburn bought into what was simply a meat company in August 1987, there have been 17 acquisitions (only one of them admitted to be a mistake) and one disposal – of the meat business. Now from its Dutch hub, the group can be flexible in its buying – rain in Spain forced a recent switch to Greek oranges and Italian vegetables – and in its selling. A prime example is the West German pizza market, growing at an annual rate of 20 per cent. One appetite at least temporarily sated is that for the group's paper, although the 10 per cent take-up of the July issue has been blamed on the Gulf crisis rather than the proximity to last December's issue. The convenience food acquisitions and a fresh emphasis on organic growth is expected to send the year's pre-tax profit to more than £18m, giving a prospective p/e of 11.4 on yesterday's close of 111p. The group remains a good long-term prospect.

NEWS DIGEST

Betacom runs up £0.59m loss

BETACOM incurred a pre-tax loss of £589,000 in the six months to June 30, compared with a profit of £512,000 a year ago, and is omiting the interim dividend – 1p was paid previously.

Turnover fell from £6.71m to £7.3m and the loss per share emerged at 1.89p, compared with 1.07p earnings.

Directors, who forecast a first half loss in June, said trading conditions remained extremely difficult, but they expected significant profit from investment in new telecommunication products to be launched in the second half. A "healthy" return to profits was anticipated by 1991.

For the 1989 year as a whole profits dived from £2.61m to £278,000 and the final dividend was cut to a nominal 0.1p.

Mr Trevor Finn, chief executive, said the strength of the balance sheet left the company well positioned to take advantage of further greenfield developments and opportunities within the marketplace.

Pendragon 20% higher at £3.14m

Pendragon, the motor distributor demerged from Williams Holdings some 12 months ago, returned profits of £3.14m pre-tax for the half year ended June 30.

The 20 per cent improvement on last time's £2.61m was struck from turnover of £94.79m (£89.74m). Earnings amounted to 10.1p (8.4p) and a maiden interim dividend of 1.8p is declared.

Mid-States at £2.7m and set for USM

Mid-States, a US auto parts distributor quoted on the Third Market, reported taxable profits of £2.69m from turnover of £20.16m for the six months to June 30 and is expected to join the Unlisted Securities Market from September 10.

The company underwent extensive restructuring during the previous nine months and no comparable figures were given. For the nine months to December 31 1989 turnover totalled £11.42m and pre-tax profits £215,000.

First half earnings were 4.5p and an interim dividend of 0.75p (nil) is paid along with a special interim of 0.75p.

Murray Income net assets rise

Murray Income Trust reported net asset value of 265.6p at June 30, against 256.4p a year earlier. Net revenue was up 16 per cent to £8.69m.

Directors declared a final dividend of 3.36p making a total of 9p (8.2p). Earnings rose to 10.45p (9.04p) or 10.33p (8.94p) assuming full conversion of the B ordinary. The B holders will receive a scrip issue on the basis of 3.63835-for-100.

A total of 9.9p is forecast for the current year with an increase in the previously forecast interim from 5.85p to 6.3p, which will be paid in three equal instalments.

Property sales give boost to Church

Difficult retail trading conditions in certain countries and higher interest charges held back first half profits of Church & Co, the footwear group.

Turnover in the six months to end-June came to £33.69m (£33.29m) and operating profit to £2.37m (£2.22m). Interest costs were £697,000 (£588,000) but a profit on sale of property of £192,000 (£17,000) pushed the pre-tax balance up from £1.65m to £1.87m.

The interim dividend is again 3p from earnings of 10.9p (9.5p).

Mr Ian Church, chairman, said excellent results were achieved from the UK manufacturing companies, but retailing in the UK, US and Canada produced poor profits. Retailing operations in Europe performed well.

He said the current outlook in the UK and North America was not good and the group would continue to concentrate on getting retail stocks down and cutting bank borrowings. On the manufacturing side orders books were full.

● A Jones, a subsidiary of Church, reported interim profits ahead to £314,000 (£283,000) on turnover of £14.39m (£14.11m). earnings per share emerged at 20.2p (18.3p).

COMMODITIES AND AGRICULTURE

Cost to British of French farmers' fury put at £15m

By David Blackwell

ACTION BY angry French farmers against imports of lamb and beef could have cost the UK meat industry as much as £15m so far, according to the Meat and Livestock Commission, the industry's statutory body.

Mr Geoffrey John, the commission's chairman, yesterday stressed that this was only an indicative figure. But he was "very concerned" at the threat posed by the illegal action of French farmers to the £7m a week of UK exports to France.

Yesterday Mr John visited the acting French ambassador in London to voice his concerns, and tomorrow he will be staging a press conference in Paris.

Mr Henri Nallet, the French agriculture minister, last Friday announced a £119m aid package for livestock farmers who have reacted to drought and collapsing markets by attacking meat and livestock imports. Britain each week exports £1m worth of livestock and £6m worth of meat to France.

Last year UK exports of live sheep to France were worth £22.36m out of total exports worth £28.1m.

Mr John said yesterday that the attacks on consignments of UK meat had continued over the weekend, with one lorry load of beef being burned near Parthenay on Sunday. The French lorry company is now refusing to carry British meat. A lorry carrying lamb had been attacked on the road from Calais to Paris.

"Clearly that is unacceptable," Mr John said, adding that the British embassy in Paris had warned of further protests by French farmers this week.

In addition, a large French retailer had pulled out of a big promotion deal with the MLC, which had expected an extra £500,000 of business to result in the next few months.

There was no evidence to suggest that the French farmers' anger was directed specifically at the British, Mr John said, "but because we are so significant in lamb it follows that we are more affected." Dutch, Irish and German lorries had also been attacked.

Mr John said that if the French farmers felt they had a problem they should take it up with the European Commission. Meanwhile he expected the rule of law to apply. "There is no way we are prepared to succumb to intimidation on the other side of the Channel," he said.

Mr Jacques Delors, the European Commission President, has told Bonn to make sure East Germany's low-priced, surplus meat stays out of the European Community or Brussels will move to block it, reports Reuters from Paris.

Interviewed on French television yesterday, he said the EC had asked West Germany to ensure surplus East German beef was exported outside the EC.

Setback for Philippines' farm output

By Greg Hutchinson in Manila

MR SENEN Bacani, Agriculture Secretary of the Philippines, has reported to President Corazon Aquino that the country's agricultural production shrank in real terms by 4.9 per cent in the first half of 1990, a reversal from nearly 5 per cent growth in the corresponding period a year earlier.

He estimated the gross value of output at Ps79.8bn (£1.7bn), but gave no further figures to reporters after his meeting with Mrs Aquino.

The country's Bureau of Agricultural Statistics earlier reported that the value of production had dropped by 3.63 per cent to Ps91.96bn from Ps95.43bn at constant 1985 prices. At current prices production had risen to 131.99bn from 120.06bn, the bureau said.

In real terms, production of maize and rice declined by more than 10 per cent during the first six months of the year, mainly because of the effects of a drought from November through to May, Agricultural Department officials said.

● Torrential rains accompanying a typhoon earlier this week halted gold production at Philex Mining Corporation in Benguet province.

Philex had only two weeks before returned to near full production of 10,000 troy ounces a month following the July 16 earthquake which stopped output totally.

The nearby underground mines of Benguet Corporation, the country's largest gold producer, have been running at some 50 per cent below normal capacity, also about 10,000 ounces.

Mr Henry Brimo, Philex chairman said mine operations were once more suspended "due to the blockage by big slides of the drain tunnel portal and water flooding of the mine."

Partner sought for French mine project

By Kenneth Gooding, Mining Correspondent

BUREAU DES Recherches Géologique et Minieres, the French state-owned mining organisation, is seeking a partner to take a 25 per cent shareholding in its Chessy zinc-copper project, near Lyons, which will be France's first copper mine for more than a century.

So far about FFr100m (£10m) has been spent on the project, due to start up in the second half of 1992. Total expenditure is expected to reach FFr250m.

BRGM's subsidiary Cofremins has a 51 per cent interest in the Chessy project and Aztec Mining, an Australian subsidiary of Amax of the US, owns 24 per cent. Metaleurop, in which Preussag of West Germany and Imetal of France have shareholdings, was to have taken the rest of the shares but changed its mind.

Mr Claud Manvil, BRGM's general manager, says that the search for a new partner to buy BRGM's remaining stake in Chessy is not all that urgent. "But we want to sell before production starts."

BRGM would prefer a European partner but, failing that, any mining company interested in a medium-sized zinc project with good prospects would be considered.

If no outside partner can be found, the Chessy stake might be sold to Aztec or to another BRGM subsidiary.

Mr Manvil dismisses suggestions that Chessy would be only marginal and says it should produce "mid-sized profits." A 20 per cent return on investment is forecast.

A final feasibility study is being prepared, early construction work is being carried out "and we are thinking about buying the first equipment," says Mr Manvil.

So far 42m tonnes of mineable reserves have been located at Chessy containing 7.8 per cent zinc and 2.3 per cent copper. The present intention is for 300,000 tonnes of ore a year to be milled to produce about 30,000 tonnes of metal, mostly zinc, in concentrates.

Illusions of efficiency on E German farms

The appearance of a well-structured industry does not bear close inspection

FARMER'S VIEWPOINT

By David Richardson

AT FIRST sight East German farming appears well structured and efficient. As you drive along the admittedly pot-holed roads beside enormous arable fields that are said to average 300 acres and in which there are fleets of large tractors and machines at work, the feeling is of an agriculture that has been shaped and industrialised for maximum economic production.

The countryside is dramatically different to the patchwork of fields and plots which still characterises West Germany but from which the eastern landscape has been created during the last 45 years. Look a little closer, however, and you will find that the image of efficiency is largely an illusion.

The quality of the land over wide areas of East Germany is good for arable farming and when I was there a few days ago the crops of grain, sugar beet and potatoes looked capable of yielding tonnages close to those expected in western Europe. But the man and woman power used to produce those crops is wildly excessive.

It has been estimated that about 1m people are currently employed on East German farms. To operate them to western standards of efficiency it is reckoned that a maximum workforce of 250,000 is required, so the prospect for 750,000 of those people is that they will be made redundant following the full reunification of Germany. There is little doubt that they will join many hundreds of thousands more from other East German industries that are also overmanned and that unemployment will be one of the biggest problems facing the 16m strong population.

Back on the collective farms, however I was intrigued to discover why and how the managers could employ so many people. As an East Anglian farmer, forgetting for a moment the rather featureless landscape, I could visualise the labour-saving that could be achieved from operating big machines on the vast fields of farms running to several thousands of acres.

My observation suggested that the workers were not deliberately lazy. Indeed I was impressed by the apparent industry, whenever possible, of most of the people I saw. It soon became clear, however, that much of the farm machinery was old and unreliable and spent a great deal of its time being repaired, so that those who should have used it were unable to work even if they wanted to.

I still smile as I recall the sight of a group of workers trying to start up a combine harvester by towing it backwards with a tractor. One man drove the tractor, another steered the silent combine and a third sat on top of the engine fiddling with something. As they disappeared over the horizon they had still not been successful.

An even more significant explanation for the historically high farm labour force, however, was the policy of the Honecker Government towards agriculture. Commodity prices were generously subsidised at levels which enabled the excess workers to be paid a living wage.

The ex-farm price of milk in the past, for instance, was equivalent to about 55p per litre. Now that re-unificaiton has already begun and the Deutsche Mark is the common currency all over Germany the ex-farm price of milk has been set at the EC level, which is less than 20p per litre.

The Honecker Government used to pay farmers £160 a tonne for potatoes and retail them at £45 per tonne, covering the difference with a subsidy. Today the price received by collective farms is about £65 a tonne and East German consumers, faced with more expensive potatoes, are predictably upset at the increase.

Wheat and barley were in the past bought by the state at about £220 a tonne. Now the price is just over £100 a tonne in line with the EC intervention price; at least it would be if it were possible to sell grain in East Germany. But the system of marketing and handling appears to have broken down and some East German collective farms are sending tractors and trailers loaded with grain hundreds of kilometres across the freshly opened border to sell to West German merchants.

So desperate are the farm managers for revenue to run their farms and pay their workers' wages that they are selling the grain at prices as low as £85 a tonne, thereby undercutting West German farmers and providing merchants with windfall profits.

In some case, however, there is no sale at all for East German produce. At one collective farm near Dresden I saw pens of pigs for which it had been impossible to find a buyer. It is normal to slaughter pigs for pork at around six months of age. These had been on the farm for at least 10 months and the bigger they got the fatter they got and the more unsaleable they became. They were, in fact, almost bursting out of their sties.

The director of the pig unit said he hoped West Germany or the EC would subsidise the sale of the animals to the Soviet Union or some other eastern European country. He conceded that there was little likelihood of selling the over-fat pigs to the West but explained that since the East German currency was now the Deutsche Mark other eastern European countries which would have in the past have taken his pork still had soft currencies and could not now afford to do so.

Meanwhile East German consumers themselves are also rejecting food produced in the east in preference for newly available supplies from the West. Every day thousands of tiny Trabants, the two cylinder papier mache-bodied cars driven by the vast majority of East Germans pass through the 90 new crossing points between East and West Germany. They head for the nearest western supermarket and overload the little cars with western consumables of all kinds. Watching some of them it appeared they were often more interested in the packaging than its contents.

At the same time West German entrepreneurs are beginning to buy shops in East German towns and are stocking them with western food. It all adds up to a chaotic situation which can only end in the bankruptcy of many East German collective farms, if not the whole economy.

Well aware of the potential disaster they face and of their own inexperience at dealing with such problems, some of the collective farm managers are attempting to negotiate loans in the west to enable their operations to survive. But West German bankers are proving less than enthusiastic. The only collateral the easterners can offer is the land they farm and the ownership of most of that is already in dispute.

Immediately the Berlin Wall came down and the border between East and West opened up there were people, many from West Germany, making claims for ownership over vast areas of East Germany. The land was of course confiscated from its original owners by the communists and now many of those individuals and their successors see an opportunity to get it back.

The fact that is has been farmed co-operatively by communities of people and that many of the boundary hedges between fields and estates have been removed is no reason, they argue, why justice should not be done and historic ownership restored. It is certain that West German lawyers will have remunerative work for many years to come.

As one resigned East German farm director said as we watched a potato harvester lifting a mediocre crop from dry, dusty soil, "It is sad that some will lose their jobs but it may be that the new regime will have to destroy the current structure of East German agriculture and rebuild from scratch. After all, that is what the communists did 45 years ago. It will be history repeating itself in reverse."

David Richardson was in East Germany preparing programmes for Anglia TV's Farming Diary. The first of the programmes will be transmitted on Sunday, September 9 at 12.30 pm.

India set for record tea crop

By Kunal Bose in Calcutta

INDIA, BY far world's biggest producer of tea, has harvested a crop of 345m kg in the first seven months of the current year, compared with 307m kg in the corresponding period of 1989. At this rate India will finish the year with tea production of about 725m kg, up from 694m kg in 1989 and beating the 1988 record of 701m kg.

Other major tea producers, like Sri Lanka and Kenya, are also harvesting bigger crops in the current year. Assam, accounting for more than half of India's tea output, had produced 169m kg by the end of July, 5.86m kg more than in the same period last year.

However, there has been a deterioration in the quality of second flush tea there, because of heavy rains and lack of an effective management in most gardens. While industry sources decline to be quoted for fear of reprisal, they admit that the management today has little control over tea estates in Assam. Not only has the United Liberation Front of Assam, a militant organisation which has virtually declared war against non-Assamese businessman, been extorting money from garden owners but it has also forced estate managers to take orders from it. As the Assam Government does not seem to be keen to counter the front's activities – in fact, New Delhi has had occasion to remonstrate with the state authorities for giving kid glove treatment to the extremists – some tea estate managers have already quit jobs.

The industry has warned the state and central governments that if normality is not restored in tea gardens soon then Assam's most important agricultural asset will suffer long-term damage. India's domestic consumption of tea is rising by nearly 20m kg a year. If the industry suffers a serious setback in Assam it will be virtually impossible to satisfy increasing internal demand and at the same time sustain exports at a high level. India's tea exports in the current year will be around 220m kg.

South India which suffered a crop shortfall of nearly 20m kg last year, had produced 96m kg by the end of July, 14m kg more than in the corresponding period of 1989. West Bengal production of 79m kg is 18m kg ahead of last year. Tea output in other Indian centres at 2.03m kg has also progressed.

Plan for reduced cotton exports surprises analysts

By R.C. Murthy in Bombay

INDIA PLANS to export 500,000 bales (1,700 kg each) of cotton in the year to August 1991, compared with 600,000 bales last year. About half will be long and extra-long staple cotton and the remainder medium and short staple varieties.

The decision to cut the level of exports has surprised commodity analysts. The administration expects a bumper crop for the second year in succession, based on the acreage under cotton and good monsoon rains in growing areas.

The Cotton Advisory Board has estimated the 1989-90 harvest, which was completed last week, at a record 12.75m bales. But India's textiles minister, Mr Sharad Yadav, projects the crop at 13.5m bales.

Analysts say exports are likely to exceed the planned 500,000 bales in view of pressure from the farm lobby to maintain domestic prices and the need to maximise exports to ease the balance of payments problem. The target is expected to be raised as the crop situation becomes clear.

The administration's emphasis is on value addition and for cotton yarn an export target of 40m kg has been fixed. Unit value realisation from yarn exports jumped to Rs.58.28 (£1.75) a kilogram last year from Rs40.26 in 1985.

The highest priority is for garments, which have the highest added value, and cotton is being conserved to meet garment exporters' needs.

WORLD COMMODITIES PRICES

MARKET REPORT

Tin prices continued to tumble on the LME yesterday on the bearish fundamentals of substantial oversupply and lack of potential for increased consumption. Low-cost producers, particularly Brazil, still appear content to offer on a market that lacks any enquiry from major consumers, analysts said. Consumers are likely to stay sidelined until tin shows clear signs of having reached a trough. Nickel prices were steady at the close after profit-taking took the edge off earlier highs.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$26.65-6.70w	+2.02
Brent Blend	$29.05-9.15w	+2.50
W.T.I. (1 pm est)	-	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$402-404	+23½
Gas Oil	$263-264	+19
Heavy Fuel Oil	$105-110	+3
Naphtha	$287-289	+22
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$387.00	+1.75
Silver (per troy oz)♣	484c	+3
Platinum (per troy oz)	$487.75	+1.00
Palladium (per troy oz)	$111.60	-0.15
Aluminium (free market)	$1850	-15
Copper (US Producer)	133¼c	
Lead (US Producer)	50c	
Nickel (free market)	515c	+5
Tin (Kuala Lumpur market)	15.22r	-0.32
Tin (New York)	278c	
Zinc (US Prime Western)	81¼c	
Cattle (live weight)†	105.47p	
Sheep (dead weight)†	141.34p	
Pigs (live weight)†	78.10p	
London daily sugar (raw)	$268.2q	-7.8
London daily sugar (white)	$328z	-9
Tate and Lyle export price	£252.5	-2.6
Barley (English feed)	£118.87u	-5.13
Maize (US No. 3 yellow)	£148.5w	+0.5
Wheat (US Dark Northern)	£82.2q	
Rubber (Oct)♥	53.50p	+0.50
Rubber (Nov)♥	53.75p	+0.50
Rubber (KL RSS No 1 Oct)	244.5m	
Coconut oil (Philippines)§	$310v	
Palm Oil (Malaysian)§	$275q	
Copra (Philippines)§	$215y	
Soyabeans (US)	£148	+2
Cotton "A" index	81.40c	-0.50
Wooltops (64s Super)	435p	-2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct. t-Jul/Aug. u-Oct/Dec v-Oct/Nov. w-Oct z-Aug/Sep y-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 23,588 lots
Cash	1852-4	1761-3		1851-2		
3 months	1870-1	1676-7	1886/1866	1865-6	1868-70	58,763 lots
Copper, Grade A (£ per tonne)						Total daily turnover 14,154 lots
Cash	1574-6	1557-9	1580/1577	1579-80		
3 months	1553-4	1530-1	1562/1550	1551.5-2.5	1551-2	104,054 lots
Lead (£ per tonne)						Total daily turnover 2,072 lots
Cash	464.5-5.5	461-3	465/465	465-6		
3 months	466-8	464-6	467/465	465-7	465-6	11,298 lots
Nickel ($ per tonne)						Total daily turnover 2,015 lots
Cash	11350-400	11350-400	11250/11250	11200-50		
3 months	11125-50	11150-200	11275/11100	11050-100	11180-200	8,828 lots
Tin ($ per tonne)						Total daily turnover 1,480 lots
Cash	5755-65	5880-5		5775-80		
3 months	5670-5	5970-5	[illegible]	5890-900	5840-50	6,095 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 3,773 lots
Cash	1615-20	1640-5	1632/1632	1631-2		
3 months	1526-8	1530-5	1533/1520	1533-5	1520-3	19,070 lots

LME Closing £/$ rate: SPOT: 1.8715 3 months: 1.8409 6 months: 1.8089 9 months: 1.7831

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	237.60	237.00	239.00 236.40
Dec	241.40	243.00	241.00 231.20
Mar	231.40	230.00	232.00 230.60
May	232.00	232.00	231.60
Aug	235.00	236.20	234.40
Oct	235.00	237.00	232.40
Dec	236.00		230.00
White	**Close**	**Previous**	**High/Low**
Oct	310.1	313.5	312.0 310.0
Dec	305.0	308.5	305.0 304.5
Mar	304.1	307.5	305.8 304.0

Turnover: Raw817 (3354)lots of 50 tonnes. White 1616 (530) Paris- White (FFr per tonne): Oct 1650, Dec 1625 Mar 1630, May 1645, Aug 1676

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Oct	28.55	28.31	28.55 27.60
Nov	27.55	25.75	27.58 26.90
Dec	26.75	25.30	26.75 26.40
IPE index	26.70	25.58	26.70 25.54

Turnover: 10167 (5674)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Sep	260.00	241.50	262.00 247.75
Oct	260.25	242.00	260.25 247.00
Nov	259.50	242.50	259.50 246.50
Dec	259.50	241.25	259.50 245.75
Jan	249.50	236.50	249.50 243.50
Feb	230.00	227.25	235.00 230.00
Mar	227.00	218.00	227.00

Turnover 8310 (6505)lots of 100 tonnes

TEA

There were 21,683 packages on offer this week, including 3,000 offshore reports the Tea Brokers' Association. There was improved and more general demand. The few Assams available sold readily at firm rates. Brighter liquoring and medium Africans met increased competition with prices often showing advances of 10p or more per kilo. Plain descriptions were again a weak feature and tended easier where sold. Ceylons were well supported at firm to dearer rates. Offshore teas attracted more widespread enquiry and were fully firm. Quotations: quality 230p, medium 115p, low medium 60p.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	720	732	725 714
Dec	763	775	772 757
Mar	795	808	801 789
May	816	828	818 813
Jul	[illegible]	845	[illegible]
Sep	856	865	[illegible] 851
Dec	879	885	880 878

Turnover: 3253 (11307) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Aug 31 1025.79 (993.76) 10 day average for Sep 3 976.61 (963.74)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Sep	585	578	584 579
Nov	610	607	614 608
Jan	632	631	640 631
Mar	638	640	644 638
May	654	650	654 654
Jul	668	670	670
Sep	690	693	690

Turnover: 5132 (9710) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Sep 1: Comp. daily 78.41 (78.73). 15 day average 75.62 (75.12)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Nov	89.0	90.0	
Apr	126.8	126.3	127.0 126.0

Turnover 136 (212) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Oct	109.00		109.00
Dec	115.00	108.00	115.00

Turnover 90 (20) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Sep	[illegible]	1163	1155 1150
Oct	1170	[illegible]	1199 1170
Jan	1184	1210	[illegible] 1181
Apr	1173	1210	1205 1175
BFI	1203	1208	

Turnover 258 (157)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Sep	112.75	113.00	113.10 112.75
Nov	115.00	115.25	115.40 115.00
Jan	118.75	118.95	119.10 118.75
Mar	122.00	122.15	
May	125.45	125.60	125.75 125.50
Barley	**Close**	**Previous**	**High/Low**
Sep	109.50	109.30	109.50 109.40
Nov	113.40	113.55	113.65
Jan	117.20	117.40	117.20
Mar	120.50	120.60	120.60

Turnover: Wheat 180 (226), Barley 28 (276). Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	386¼-387¼	206¼-206¾
Opening	385-385½	205¼-205¾
Morning fix	387.50	207.197
Afternoon fix	386.75	206.267
Day's high	388¼-388¾	
Day's low	385-385½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	396-401	211-214
Britannia	396-401	211-214
US Eagle	396-401	211-214
Angel	396-407	211-214
Krugerrand	386-389	206-208
New Sov.	91-93	48½-50
Old Sov.	91-93	48½-50
Noble Plat	493.60-501.40	263.45-267.65
Silver fix	**p/fine oz**	**US cts equiv**
Spot	258.95	485.00
3 months	268.50	494.70
6 months	277.80	504.15
12 months	296.35	524.85

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1750	107	148	1	27
1850	14	86	6	63
1950	1	44	92	119
Copper (Grade A)	**Calls**		**Puts**	
2800	147	153	1	72
2900	50	101	3	119
3050	3	63	55	179
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
600	32	68	23	26
650	14	38	55	51
700	5	18	98	87
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
750	53	90	40	45
800	32	64	69	69
850	19	47	106	102
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
2700	175	212	175	
2750	120		70	
2800	80	174	96	

INDICES

REUTERS (Base: September 18 1931 = 100)			
Sep 3	Aug 31	mnth ago	yr ago
1806.4	1808.8	1762.8	1895.6

DOW JONES (Base: Dec. 31 1974 = 100)				
	Aug 31	Aug 30	mnth ago	yr ago
Spot	130.12	130.79	131.84	129.95
Futures	132.46	133.22	131.47	130.56

Argentina tries to reawaken its dormant mining sector

John Barham reports on a reappraisal of the country's considerable but long-neglected mineral resources

ARGENTINA IS going through one of its occasional reappraisals of its dormant mining industry. The country of vast wide-open pampas has considerable, if long-neglected, mineral wealth in the Andes on its remote western borders. Rich, well-developed seams in neighbouring Chile and Bolivia continue into Argentina, but the mines end abruptly at the frontier.

The bulk of Argentina's population and most of its industry are clustered near Buenos Aires. It grew wealthy on agricultural exports, so it shunned mining. Officials say that today the mining industry accounts for a tiny share of gross domestic product, turning over no more than US$400m a year, while the country spends twice that amount on mineral imports.

Nevertheless, mining is one of the few sectors of Argentina's chaotic economy to have seen any growth. Output increased by 7 per cent between 1980 and 1989, although production has dropped sharply in the past two years. By comparison, manufacturing has declined by 20 per cent and gross domestic product has fallen by 10 per cent.

Government officials are now trying to make up for lost time and missed opportunities. But even they admit that the chances of attracting major foreign mining investments grows slimmer with each passing day.

True, Argentina has changed a lot. The Menem administration has adopted free market policies, which it hopes will stabilise the economy and attract investments from abroad. Last year it abolished regulations that discriminated against foreign capital. And it is eager to establish closer ties with Chile, its old rival. Marginal Argentine mines in the Andes could become profitable if companies could get access to them from the Chilean side and export minerals through its Pacific ports.

The problem, though, is that nobody knows what mineral deposits Argentina has, in what quantity or where they lie. Mrs Maria Siedarewitsch, director of the Federal Government's mineral and geology department, says the country lacks complete geological maps, detailed field studies and a satellite image processing centre, although a lot of information is dispersed throughout the Government and in universities.

Mrs Siedarewitsch is battling heroically with a budget whittled down to less than $100,000 by inflation, to draw together existing geological data and make it available to investors.

Government officials are now trying to make up for lost time and missed opportunities. But even they admit that the chances of attracting major foreign mining investments grows slimmer with each passing day.

However, studies carried out in the 1970s indicate that Argentina does have major deposits of copper, gold, molybdenum, potassium, lithium, silver, zinc, lead, marble and granite.

At the moment, only one large scale project is planned. Yacimientos Mineros de Agua de Dionisio (YMAD), a government-owned mining company, hopes to attract $500m in foreign investments to develop an open pit copper mine in the north-western state of Catamarca.

Most government officials say, however, that Argentina cannot afford to be too ambitious. It must first win the confidence of foreign investors – no easy task for a country as unstable and as traditionally indifferent to mining as Argentina. Dr Miguel Angel Guerrero, mineral co-ordinator at the trade and industry department, said: "We believe that most investments will go to small and medium projects with a life of five or six years that give a return in about three years."

The Argentine market is too small to justify production for domestic consumption alone, while the world market is well-supplied with the minerals Argentina would produce. For instance, Argentina has large deposits of potassium, but they are unlikely to be worth developing under present market conditions.

Some companies are beginning to show interest in Argentina. The Government says Britain's RTZ, South Africa's Anglo American Corporation, and Rio Tinto of Spain have invested in modest gold mining projects. YMAD's planned copper mine could be developed first to produce gold from promising veins close to the surface. Argentina's excellent stone quarries are also attracting investments, particularly from Italy. Indeed, quarrying has seen strong growth recently.

Possibilities also exist to turn around ailing or bankrupt mines. One such venture is Mina de la Pirquita, a potentially profitable tin mine close to the Bolivian border. But work ground to a halt when the poorly-managed operating company folded.

Businessmen say Argentina still has a long way to go before convincing the world that it is a safe country to invest in. Its mining regulations are still far from perfect, because federal and provincial jurisdictions overlap, depending on the type of mineral involved.

Furthermore, the Government's attention is focussed entirely on the battle against inflation: officials have little time to devote to the parochial interests of the mining industry. But business confidence is bound to improve if inflation, currently running at 15 per cent a month, is brought under control.

The New York and Chicago markets were closed yesterday for the Labor Day holiday

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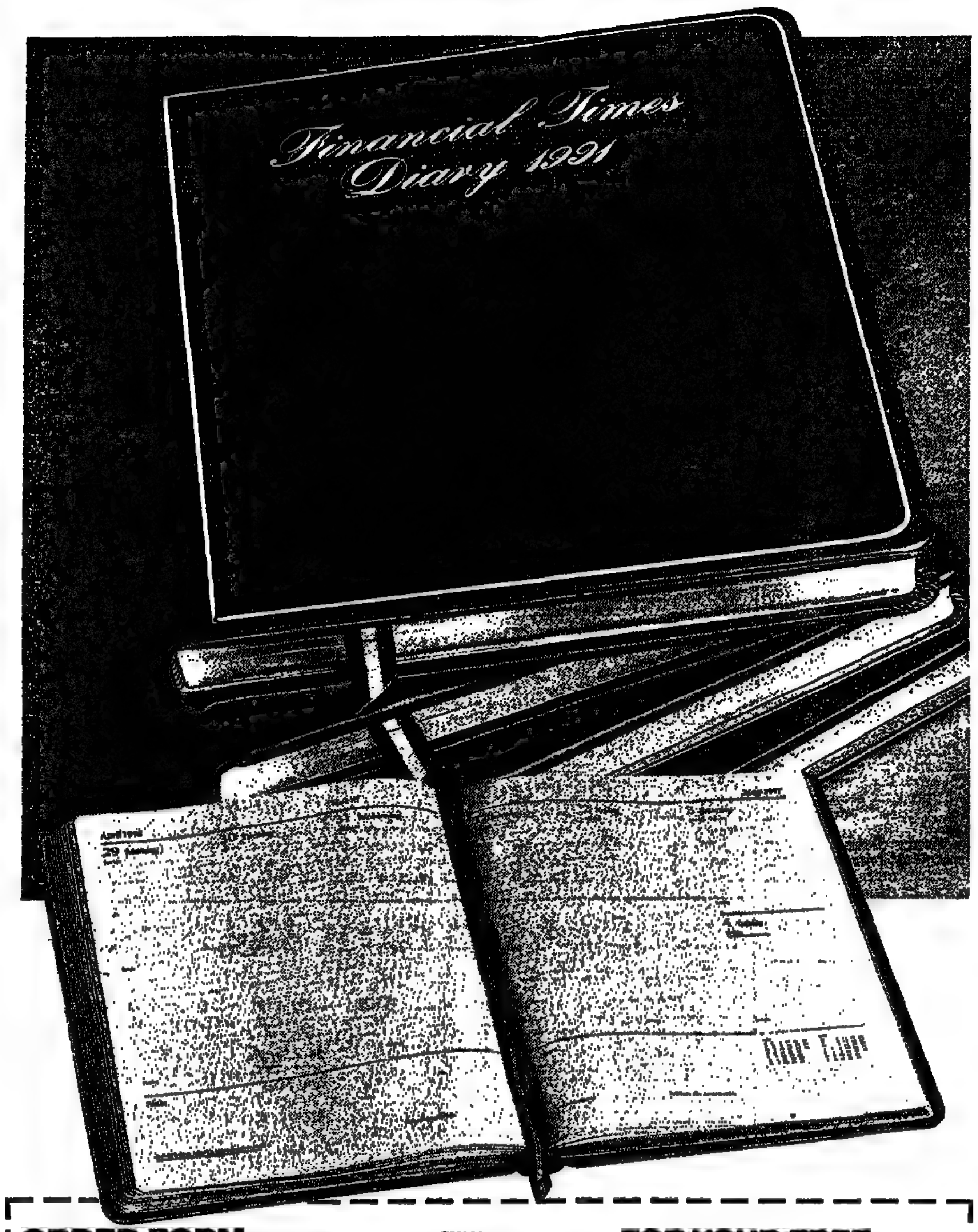

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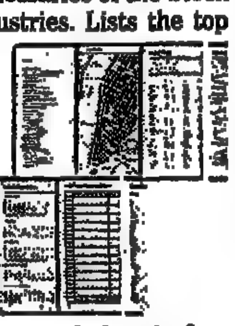

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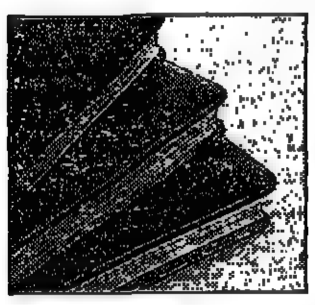

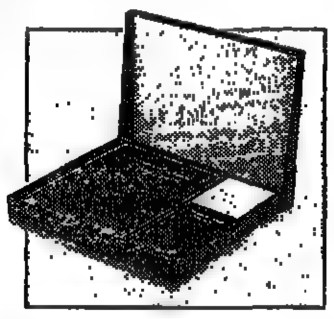

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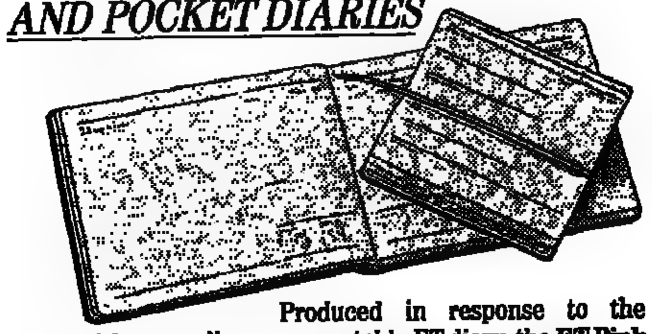

Produced in response to the demand for a smaller, more portable FT diary, the **FT Pink Desk Diary** with its FT-pink pages is quite unique. Its distinctive size and shape make it equally at home on a desk or in a briefcase. Although compact, it contains a wealth of business information, and its innovative page a day layout allows ample space for each day's notes and business expenses. It is covered in black bonded leather.

The **FT Pink Pocket Diary** with its unique week to view landscape format has the same information as the FT Pocket Diary and is hugely popular. It is covered in black bonded leather.

THE FT WALLET

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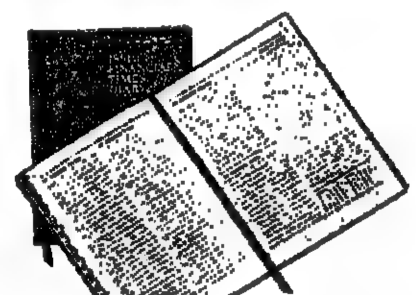

Its unique two days a page format, divided into hourly time segments is designed to keep you on schedule. This diary is available in black simulated leather with matching ribbon and plush cream paper with gilt edging.

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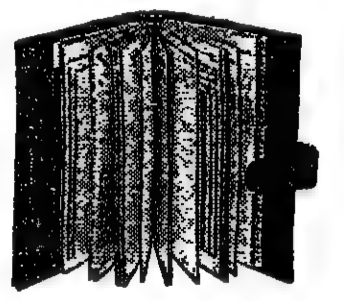

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7006 0461	Desk Diary, black leather	56.65		57.96		58.56		62.50		
7018 0475	Desk Diary, burgundy bonded leather	35.16		37.48		38.11		42.03		
7020 0499	Desk Diary, black leathercloth	20.52		22.82		23.45		27.37		
7286 2320	FT Pink Desk Diary	23.98		26.03		25.95		30.43		
7377 3001	Appointments Diary	13.65		15.20		14.91		19.95		
7031 0457	Pocket Diary, black leather	11.15		11.61		11.59		14.19		
7043 0481	Pocket Diary, burgundy bonded leather	10.29		10.95		10.73		13.33		
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7365 3006	Slimline Pocket Diary	9.05		9.41		9.20		10.59		
7389 3011	Wallet Diary	17.09		17.54		17.33		19.32		
7298 2325	Wallets: Black (to fit PL + PC)	19.78		20.08		19.87		21.26		
7304 2330	Burgundy (to fit PB)	19.78		20.08		19.87		21.26		
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7330 2160	Personal Organiser black leather	38.73		40.03		39.74		44.78		
7341 2165	Personal Organiser burgundy leather	38.73		40.03		39.74		44.78		
	PERSONALISATION									
7109 0883	Initials only	1.95		1.95		1.95		1.95		
7092 0883	Initials and Surname	3.45		3.45		3.45		3.45		

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FINANCIAL TIMES SURVEY

DESKTOP PUBLISHING

Tuesday, September 4, 1990

Desktop publishing offers a new era of presentation quality for businesses of all sizes, but company managements need to be more aware of the industry's technology and its potential cost-saving advantages, says **Michael Wiltshire**

Now a $3bn industry

DESKTOP publishing has fundamentally changed the way in which the business world looks at the production of documents, ranging from simple newsletters and company reports to books, newspapers and full-colour magazines.

Using an amalgamation of computer technology, graphic skills and printing techniques, it enables all kinds of organisations to provide high quality communication materials more quickly, simply and at a significantly lower cost than had previously been possible. Technology has effectively brought 500 years of graphic communication techniques to the computer industry.

The maturing market for desktop publishing (DTP) has thus grown from nothing at the start of the 1980s to become one with a multi-billion dollar sales potential as businesses large and small discover an almost endless number of applications for the new technology. Basically, DTP is an offshoot of the more sophisticated and expensive electronic publishing field. Since DTP systems offer greater ease of use, they encourage a wider end-user base.

In the financial sector, for example, companies on Wall Street and in the City of London use DTP systems to produce high-quality reports, complete with computer graphics – all done much faster than with earlier less-flexible publishing routines.

The DTP market became a billion dollar industry in 1987, with revenues predicted to pass $4bn worldwide by 1992, according to analysts at the Market Intelligence Research Company.*

The $1.83bn European market for DTP systems is now the biggest in the world – and is set to continue growing. Sales by 1994 could rise to $3.9bn, although the rate of growth will slow after 1992, according to market analysts, Frost and Sullivan. Within four years there are likely to be more than 97,000 new DTP systems in operation in Europe, with 18,000 of them located in the UK.

While Apple Corporation, with its Macintosh computer range, along with the Adobe Postscript page description language, were founder companies of the industry, an increasing number of other hardware and software companies have developed their own market strategy for DTP. Innovation abounds on all fronts, with higher-performance PCs; a revolution in type-font formats; plus improved connectivity between Macs and the IBM PCs; along with networking facilities for authors using a combination of workstations from other suppliers; and all this with faster, more colourful output from printers.

Colour is the hot topic of the DTP world and colour printer technology is advancing rapidly. Ease-of-use has also become a critical issue with DTP end-users.

While DTP heralds a new era of presentation quality and offers substantial savings in time and costs, it is clear that managements needs to be more aware of the industry's technology and its advantages.

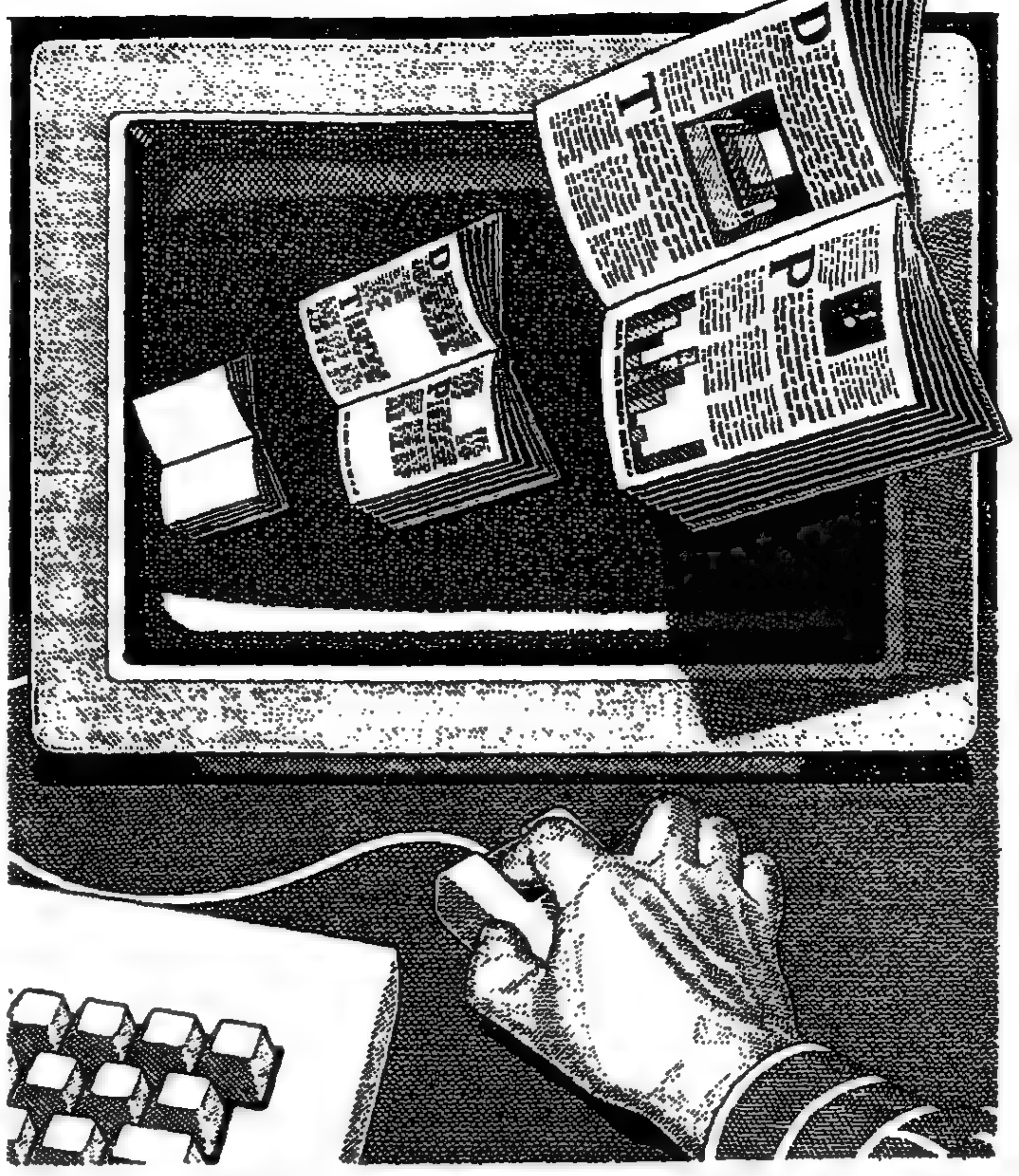
Training, too, has become a crucial area, since DTP demands not only a familiarity with computer technology but also typesetting, printing and design skills. Many DTP-users have little training in all these areas and stories abound of highly-paid executives becoming second-rate designers as they attempt to produce brochures, reports or marketing aids on DTP systems. Secretaries are also discovering that there is increasing overlap between state-of-the-art word-processing systems and low-end DTP programs.

DTP features are becoming integrated in many desktop computers and standard application software. One of the main reasons why the market has been able to grow at such a phenomenal pace in recent years is because the bulk of the hardware was already available in the form of personal computers and printers – and all that was needed to make a basic start in DTP was the creation of suitable software, capable of handling text, initially, then simple graphics.

Much of the thrust of the DTP software market has come from the US – in many cases from companies developing software packages for existing equipment.

But, as with many industries where there has been spectacular growth, it has attracted an almost uncountable number of opportunist companies attempting to move into the software-writing business. Market analysts at Frost and Sullivan estimate that there are close to 10,000 programs available for the DTP business.

The programs range from simple word-processing and type-setting programmes to complex graphics capable of handling a full range of graphics creation.



On the hardware front, the increasing power of personal computers is good news for DTP users, especially with the move towards colour systems which demand higher capacity machines. Input devices have been created for DTP in the form of flatbed scanners, capable of transcribing graphics and design information into computer files.

In the overall market, DTP software and scanning devices will eventually win an increasing share of sales. Laser printers, created in the mid-1970s, have been adapted to DTP to provide increasingly higher-definition printing.

The DTP market is not so easy to define, however: some analysts limit the sector to systems based upon an off-the-shelf small computer (or, in some cases, a stand-alone integrated publishing system), and selling for under $15,000. Meanwhile, analysts at Frost and Sullivan limit the field to stand-alone systems costing less than $50,000, capable of manipulating graphics and more sophisticated typesetting instructions, as well as being able to handle page make-up in chapter form. They exclude programs which allow some personal computers to generate quality text with some attempt at graphics.

DTP systems are at the low end of a larger market for electronic publishing systems. Larger systems, sometimes referred to as corporate electronic publishing systems (CEPS), sell for around $30,000 to $120,000. Other, even more advanced systems, are produced for large newspapers and major publishers.

A typical DTP system includes a personal computer, a high resolution monitor; a "mouse" or other hand-controlled digitiser for positioning text and graphics; plus software for word processing, graphics and page-composition; and a laser printer.

End-users can simply add equipment to their existing PC configuration to become desktop publishers.

Leading players such as Apple Computer – the market leader for off-the-shelf DTP systems, based on its Macintosh computer and LaserWriter printer – and Adobe have tackled the language problem, winning increasing sales in non-English speaking countries. Aldus this year launched the Russian version of its leading DTP software product, PageMaker 3.0, which is now available in 11 languages. The Soviet Union has a substantial publishing industry with a million microcomputers likely to installed by the end of this year.

Limitations in desktop publishing, such as colour and grey-scale scanning, are being overcome. As these facilities become more widely available, analysts expect an upsurge in demand, particularly for the production of magazines, advertising literature and public information materials.

Buoyant markets for DTP include educational and government departments which generate large volumes of forms, and businesses with "on-demand" publishing, such as manuals, brochures, sales materials and presentation graphics.

Meanwhile, market leaders are developing new areas of business communications where DTP technology can be applied. Apple, for example, is promoting the economic advantages of producing high-quality presentation materials, under the complete control of the presenter. The concept, called DeskTop Presentations, makes advanced visual aids as easy to produce as the accompanying documentation.

In the financial sector, for example, Apple's research shows that larger accountancy firms and one-in-five smaller partnerships now actively market their services. This involves audio-visual presentations for potential clients, with wide use made of 35mm slides and overhead projectors.

Looking ahead, Apple believes that "multi-media" desktop publishing will arise in the 1990s – this concept can be defined as a computer-based medium which brings together still and moving pictures, sound, music, text and numbers into a single environment, which the user actively controls.

The company is already working with Walt Disney, Lucas Films, National Geographic and the BBC in developing new multimedia applications. These include CD-based publishing and animated informations systems incorporating video, text, graphics, animation and sound.

* *Desktop Publishing Markets; Market Intelligence Research Company, Brussels; $995; tel. 32(2) 762.2781.*

§ *The European Market for Desktop Publishing Equipment, 1990: Frost and Sullivan, London; cost $3,800; for details, tel.071-730-3488).*

DESKTOP PUBLISHING 2

Michael Walker on developments in hardware

Narrowing gaps are good news

RECENT developments in computer hardwarehave seen a considerable closing of the performance – and price – gap between personal computers and engineering workstations.

For desktop publishers this can only be good news. Because of its graphical nature, DTP is hard work for personal computers. The problem becomes even more difficult when the requirements of full colour DTP are added, so the more memory and processing power available the better.

The last year or so has seen the introduction of several new models by Apple. Still the best machine for DTP, the Macintosh is now offered in a range of configurations to suit most needs.

The latest addition to the range, the Macintosh IIfx, has sufficient power to run A/UX, Apple's version of the Unix operating system long favoured for workstations, as well as the standard, user-friendly Macintosh operating system.

Advances have been made on the IBM PC side too. There is an ongoing struggle between IBM, with its Microchannel Architecture, and the Extended Industry Standard Architecture (EISA) group led by Compaq, but whichever route you take, the power per pound is increasing.

The choice between Apple or IBM (or compatible) equipment for DTP is not so much one of hardware, but of operating system and user interface. Apple's is the more elegant and user friendly, easy to learn and offering a standard feel and approach to all Macintosh software.

However, the next release of Microsoft's Windows environment for the PC, Version 3, is expected to bring considerable improvements and is reportedly attracting the attention of many Macintosh software developers.

The IBM PC is still the industry standard, and there is a vast range of software for its DOS operating system – including some good page make-up and graphics programs – but it is DOS itself which limits the benefits of the the new hardware.

IBM's successor to DOS, OS/2, is making slow progress and it seems likely that many users will stick to DOS, at least in the short term.

Connectivity has improved between Macs and PCs. Although neither system can run the other's software, there is an increasing number of application programs which are available for both and which have file compatibility between both versions.

Simple text and some graphics file formats can also be shared between the machines, so it is possible in a predominantly IBM environment to generate text and graphics on PCs for transfer to a Macintosh used by a graphic artist for page layout. Equally, in a Macintosh installation, a PC could be used as a link to the outside PC world.

PCs have been getting more powerful, and workstations have been getting cheaper

PCs have been getting more powerful, and Unix workstations have been getting cheaper. A recent model from Apollo (now part of Hewlett Packard) was introduced at a lower price than Apple's long awaited portable Macintosh.

Unix offers true multitasking and built-in networking, but is much more difficult to learn than DOS. To overcome this, various friendly front-ends have been developed to make Unix easier to use, one of the most interesting of which is found on the NeXT computer.

The brainchild of Steve Jobs, the man behind most of the original Macintosh design, the NeXT computer has attracted attention for several reasons, not least its svelte black looks. It runs a Macintosh-style graphical user interface called NeXTStep which hides Unix completely from the user, and incorporates the Display PostScript system which provides the best match yet between screen display and printed output.

The NeXT computer has been described by DTP guru Jonathan Seybold as "the best computer for publishing ever built", but whether its technical merits will win it market share from established vendors remains to be seen.

There have also been developments at the output end of the chain. Many users in publishing and graphic arts only use laser printers for proofing, sending disks to bureaux for output on high resolution imagesetters. Virtually every major vendor of type- and imagesetters now offers a means of outputting the PostScript files generated by DTP programs. The output speed issue with PostScript has been solved for text-only pages, and the new frontier is colour.

To output colour separations for conventional colour printing requires very high accuracy and repeatability in the imaging mechanism. Products aimed specifically at this area of the market were shown by Linotype and Scangraphic at the recent Drupa print and pre-press exhibition in Dusseldorf in April.

In the office, the laser printer rules supreme. For years now the 300 dots-per-inch (dpi) output standard has held, but newer models are appearing which offer 400 by 400dpi or higher output resolutions. 300dpi text resembles poor quality newsprint, while 400dpi looks significantly smoother and more detailed.

For reproduction of photographic images, though, a minimum output resolution of 1000dpi is needed, which still rules out virtually all plain paper devices.

Colour is a hot topic in the DTP world, and colour printer technology is advancing rapidly. The current state of the art is the thermal transfer printer, which melts tiny blobs of coloured wax on to coated paper. These printers offer 300dpi resolution, but the number of colours that can be rendered is limited. PostScript colour printers are appearing for less than £10,000, and non-PostScript ones for considerably less.

Another popular option is the ink jet printer, which tends to be cheaper, although offering lower resolution: typically 150 to 200dpi. Prices start at about £800 for Hewlett Packard's popular PaintJet printer, though its DTP capabilities are limited without special driver software, which might add another £300 or so to the price.

A more recent colour printing technology is thermal sublimation. This offers an extremely wide range of colours, suitable for reproducing colour photographs to a reasonable standard, but is limited in resolution to 150dpi in devices such as those from Mitsubishi and Hitachi, which does little for the appearance of text.

The exception is DuPont's 4Cast printer, which has both a PostScript interpreter and 300dpi resolution, at a cool £47,500 – best suited to producing high quality colour proofs in the repro business!

Also a comparatively recent introduction is Canon's colour laser copier, which does everything from straightforward colour copying to producing sophisticated graphic effects. A PostScript link to microcomputers is thought to be not far off for this, providing a means of small volume direct printing of colour materials.

■ *The writer is Editor of "Desktop Publishing Today."*

Smaller businesses are the main users of DTP systems

Projections, in percentage-terms, of end-users in the total DTP market

Year	Corporations	Smaller firms	Publishers	Service bureau	Govt./Educ'n.	Personal
1988	32.5	27.2	7.0	8.9	21.5	4.8
1989	30.6	29.2	5.9	6.7	21.2	6.4
1990	28.3	31.6	6.5	6.2	21.0	7.2
1991	27.0	33.8	6.2	5.8	20.8	7.6
1992	35.1	5.0	5.0	6.0	20.9	7.5

Corporate users of DTP systems, although a significant end-user market, "struggled with the acceptance of the Macintosh environment or waited for PC-compatible systems," observe analysts at the Market Intelligence Research Company. Publishing and service bureaux represent strong but narrow end-user areas.

Caroline Bassett points to the potential pitfalls

It's a tricky business, choosing the right mix

SUCCESSFUL installation of a DTP system requires a mix of skills including an understanding of the basic hardware and software available, an appreciation of typography and design, and of the publishing job to be done. It also requires a sensitivity to the economic factors involved.

The first task is to carefully analyse what is required from the end product: the publication. This will help determine both the best hardware configuration and the most suitable software.

Broadly, DTP users divide into three categories: those interested in graphics-intensive "design" work, those who want to produce long, technical publications with pictures or charts, and casual users.

DTP software reflects these differing demands. Corporate publishing tends to rely more on Ventura and, increasingly, Aldus' Pagemaker software. Designers tend to target programmes such as Quark XPress (for the typographic control it offers) and Pagemaker (for its familiar "pasteboard" approach).

Deciding on the level of reprographic quality required will have an impact on the hardware requirement, which is by far the most expensive part of the initial investment in DTP.

For example, most people settle either for laser printer output for relatively low resolution (300 dpi or less) documents, or use one of the burgeoning DTP bureaux, but corporate users should consider investing in their own high-quality image setter (such as a Linotronic or Compugraphic) if they intend to produce large quantities of professional quality material.

Similarly, the limitations of the technology must also be understood. Mr Keith Errington, head of the graphics and publishing division at Apple resellers Callhaven PLC, says the most important part of the consultancy he provides is to explain what DTP cannot do.

A blind commitment to "total DTP" can mask the fact that, for many reprographic processes, the traditional methods are better – and cheaper. The aim, after all, is not a principled leap into electronic page layout, but a more efficient and flexible system.

Volume of work is obviously going to make a difference. A more sturdy network – Ethernet rather than TOPS or Appletalk on the Mac, for example – may be worthwhile if a high volume of copy is being processed on a weekly or daily publication. Awareness of the demands imposed by deadlines is another important factor.

Software reflects the differing demands of users – and that can be confusing

Networking also raises the question of integration, particularly in the PC-dominated business environment. The Mac is a very "connectible" machine, and hanging a cluster of Macs off a PC server network is often a practical option – but many IT managers will want to retain uniform systems.

They may not always be right, however. In-house expertise, be it from secretaries or managers, should not be squandered.

The UK Design Council, for example, substantially altered its DTP blueprint after a series of meetings between Mr Simon Kosminsky, the Council's IT head, and designers, journalists and production staff involved in its magazines.

Mr Kosminsky originally wanted to purchase a single, integrated, PC-based DTP package. His argument was that it would be easy to administer and would allow the equipment, maintenance, and training to be provided from a single source. He changed his mind because the layout staff convinced him that Quark XPress would give them the design edge they needed, while the journalists wanted more flexible word processing software.

"There was a lot to be said for a single package. But it was a cruder fit. The way we've gone, we can pick and choose and everyone is satisfied," says Mr Kosminsky. Another argument which swayed him against proprietary systems is that they tend to lock the user in, leaving less freedom of movement when the time comes to upgrade.

His role then was to build a system from different components that meshed with the installed base of PCs at the Council – and which stayed within the bounds of its limited budget.

Eventually, Mr Kosminsky opted for a Mac-based network linked to a Compaq 386 file server, using XPress for page layout and a mixture of Aldus Freehand and Adobe Illustrator packages to produce the five "designed" magazines. The budget included comprehensive training for all staff and a maintenance contract. It also provided for the purchase of more software when needed.

Threading a way through the tangle of conflicting demands is why getting advice is the single most important step for anyone considering buying a DTP system. This advice may come from an independent consultant, some of whom are accredited by Aldus and others, but will almost inevitably involve a general computer dealership or specialist AppleCentre.

Getting advice is the single most important step for anyone buying a DTP system

Finding a good supplier may not be easy. Aldus UK marketing director Moira Craig suggests taking along examples of work – "Say: 'Show me how.' If they can't, go somewhere else" – while Mr Errington warns against trusting those suppliers who push potential purchasers into buying too much too soon.

On the other hand, it is important to listen to advice. Buying inadequate equipment – skimping on screen size is one common mistake – will make life difficult for users and will be reflected in the quality of the final output. Eventually, it will mean an unscheduled return to the dealers. Cutting costs may be a primary objective, but buying the wrong system, even if it is cheaper, is not the way to do it.

Errington advises concentration on a basic system followed at a later stage by investment in more specialised software. This is one reason why Callhaven does not advise people to go straight to colour – an area where the experts are still divided. A much better idea, he suggests, is to divert the money into comprehensive training. While short courses in layout will not create virtuoso designers, it is possible to teach basic standards such as font competibility.

When costing DTP systems and assessing possible savings, it is important to realise that equipment is only one part of the equation. It has to be borne in mind that DTP changes peoples' jobs.

DTP can waylay skilled designers forced to take over typesetting and prepress functions when they ought to be being creative – which is, after all, what they are paid for. The same applies to senior executives forced to become amateur publishers.

Finally, potential users need to be clear about what exactly they think DTP is going to achieve for them. It can be economic and it can bring increased control as work moves back in-house – but those who expect miracles will be disappointed.

Tim Carrigan looks at rival type font technology

A battle rages between two competing systems

FOR FIVE years the desktop publishing market has been driven by one standard – Adobe PostScript – which created a ubiquitous format that for the first time allowed high quality fonts to be packaged and marketed to a mass market of computer users.

But now the Apple Computer – which, along with Adobe, has often been credited with creating the DTP revolution, has decided to develop a rival font technology called TrueType – is locked in a bitter battle over Adobe, ushers out the days of one widely-accepted standard, and leaving desktop publishers with the vexing problem of choosing between two competing type systems.

When it was introduced, Adobe PostScript had one major advantage when compared to the proprietary typesetting systems that preceded it: it was the device-independence. This allows pages to be output on a wide range of devices in the same manner, from cheap lasers printers to high quality imagesetters.

While PostScript is a comprehensive page description language designed to handle both text and graphics, it is in the font arena that its effects have been most dramatic.

PostScript has provided a ubiquitous and widely accepted font format. Almost all of the major type vendors now provide typeface in PostScript format and there is a substantial library of many 1,000s of faces available.

The shift to PostScript is revolutionary, given the previous limited access people had to type technology

The magnitude of this shift is nothing short of revolutionary, given the limited access people had to type and type technology before its creation.

But the dominance of the PostScript standard has had its down side. It has given Adobe a virtual stranglehold over the marketplace.

With little competition, Adobe has been able to completely define the market and it has often been criticised over the cost of the licensing fees it charges to both font vendors and hardware suppliers who support the standard. Adobe also uses a series of hinting and encrypting techniques in its Type 1 font format, which has made it difficult for PostScript fonts to be output on hardware not using PostScript.

The closed nature of the Adobe system runs contrary to the computer industry trend towards open standards, and has led to many printer vendors to develop PostScript interpreters.

These are, to varying degrees of success, able to process PostScript files, including those using hinted and encrypted Type 1 fonts, without their makers paying licensing fees to Adobe.

PostScript has also been limited on the quality of screen display of fonts. Despite the "what you see is what you get" sales-speak of DTP software, the on-screen representation of fonts is often inaccurate: fonts tend to break up and become pixelated when displayed in large headline point sizes.

The need to overcome this font-scaling problem and the desire to free itself from the Adobe stranglehold have motivated Apple to develop it own font format, called TrueType, which it is now promoting as an alternative to PostScript.

Apple's bid for a new standard gained real credibility in October 1989 with the announcement of an agreement with software giant Microsoft Corp over font and printer technology.

Under the deal, Apple will make its TrueType system available to Microsoft for inclusion in Microsoft Windows, the PC graphic user interface, while Microsoft will licence its printer technology, now called TrueImage, to Apple which will provide the output mechanism for the new font standard.

Adobe, seeing it business under threat, has fought back by releasing Type Manager, its own font scaling mechanism for the Macintosh as a commercial product, which it also plans to release for the PC in 1990.

In response to the Apple/Microsoft deal, Adobe published the Type 1 font format specifications, making it a more open standard.

However, the impact of the Type 1 move is at best questionable because Adobe still controls the development tools necessary for creating high-quality Type 1 fonts, for which there is a royalty fee.

Adobe's position has been further strengthened by the acceptance of PostScript by other computer vendors.

Most notable is the decision by IBM to offer PostScript compatibility across its Systems Application Architecture, the series of protocols for the connection and interoperation framework for its complete line of platforms including PCs, workstations and mainframes. The decision effectively means that PostScript will become the standard page description language for the entire range of IBM machines.

Adobe's complete screen-rendering model, Display PostScript, has also been integrated into the NeXT computer, as part of the machine's NeXTStep graphic user interface. NeXTStep has also been licenced to IBM, which is making it available on its Unix workstations, further evidence that IBM is moving towards complete acceptance of the Adobe model.

As the war between type and computer vendor rages, the mood is one of confusion and dismay

As the war of fonts between type and computer vendor rages, the general mood in the DTP world is one of confusion and dismay as many fear the return to the days before DTP of proprietary typesetting systems. Users are concerned that the seamlessness of one device-independent standard supported by all the major suppliers will be replaced by a confusing array of hardware and software products that will not necessarily work together.

The confusion is further exacerbated because one system has yet to reach the market.

The TrueType system is slated to make its debut later this year with the release of a new version of the Macintosh operating system, System 7.0, which will be followed by a version of Windows supporting TrueType.

Microsoft also claims that 1990 will see the first printers on the market supporting the its TrueImage systems. With only one system on the market the war is still very much one of words. But there is already evidence that the people most likely to benefit will be users.

The deal between Apple and Microsoft has created a real competitor to PostScript, and one which is an open system available without royalty payments. This, in turn, has forced Adobe's hand and has put real pressure on it to open up its system. This competitive pressure will only become more intense when TrueType comes to market.

Many industry analysts say it will have an instant installed base far greater than that of PostScript, due to its availability with both Macintosh and PC user interfaces. Users will have the opportunity to vote with their feet, as both systems are likely to be available for the Macintosh, Windows and OS/2.

Those with a large investment in PostScript fonts and hardware will not be forced to upgrade to TrueType, and Apple and Microsoft have also committed themselves to making any TrueImage hardware downwardly compatible with PostScript headline point sizes. The need to overcome this font-scaling problem and the desire to free itself from the Adobe stranglehold have motivated Apple to develop it own font.

■ *The writer is deputy editor of Apple Business.*

Worldwide desktop publishing market

– these figures include hardware and software sectors

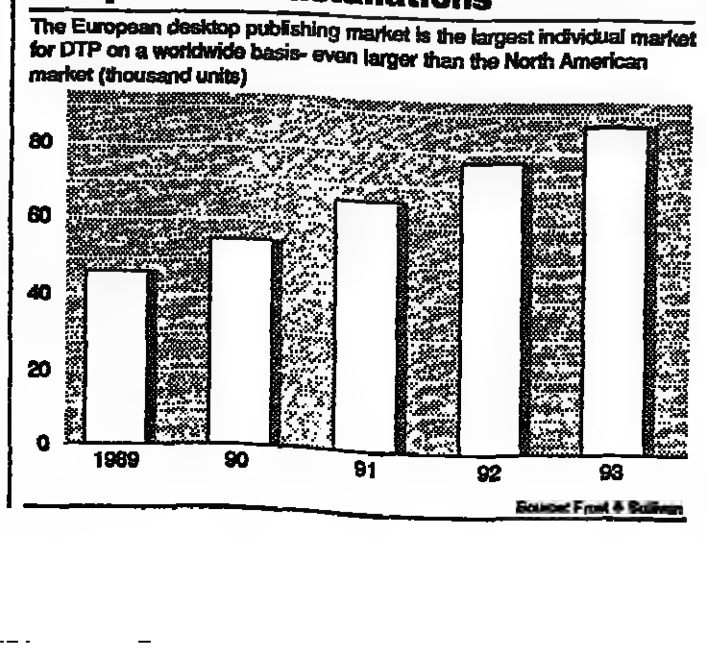
Year	Revenues in $ billion	Growth rate percentage
1989	2.951	53.2
1990	3.513	19.0
1991	4.072	15.9
1992	4.606	13.1

■ Desktop publishing systems have been described as the low end of a larger market for electronic publishing systems. Larger electronic publishing systems, sometimes referred to as corporate electronic publishing systems (CEPS), can accommodate as many as five workers, and sell for $30,000 to $120,000. Other more sophisticated systems are manufactured for large newspapers and publishers.

Source: Market Intelligence Research Company, Brussels (tel.32(2) 762 2691; and at Mountain View, California; and Tokyo.

European DTP installations

The European desktop publishing market is the largest individual market for DTP on a worldwide basis- even larger than the North American market (thousand units)



Source: Frost & Sullivan

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Growth of the W. European DTP software market

	1988	1989	1990	1992
Units	92,300	114,452	137,342	206,069
Value	\$77m	\$95.5m	\$114.6m	\$171 9

Source: International Data Corporation, London. IDC estimates that Aldus Pagemaker accounted for more than half the sales revenues and unit shipments in 1988. Its main competitor was Ventura – "annual market growth in the sector is expected to remain healthy, but stabilise in the 23-25 per cent range," adds IDC

WHAT'S ON OFFER

Systems for the professional

BUYING a professional DTP system essentially means choosing between the Macintosh (Mac) and the PC.

There are several key areas to consider, since buying a professional system means buying the central DTP package, but it also means buying into graphics and typography, at the least, and these are areas where the relative strengths of Mac-based and PC-based tools vary considerably.

Nevertheless, the DTP package ought to be the central consideration, and the basic principle is to look carefully at the sort of DTP work which is being done and assess the relative proportions of one-off design work and routine design application.

The problem is that DTP can be heavyweight word processing, or pure graphic design, or any combination of the two.

DTP can be word processing or graphic design, or any combination of the two

Most heavyweight packages aim to sell as general DTP programs into a general market, so they offer some word-processing features and some graphics features, but in the end they inevitably suit one sort of work best.

The PC has two professional DTP packages, Xerox Ventura Publisher and 3B2. Ventura has controls for the manipulation of imported graphics, but few controls for the origination of graphics. Its manipulation of text as a graphic object is limited to 90 degree rotations.

3B2 is substantially better at originating graphics – although it is not remotely an intuitive drawing tool – and at treating text strings as graphics. It also gives far better control over the magnification of the screen image, which is important for graphic work.

Both Ventura and 3B3, running on standard VGA screens, provide poor onscreen colour representation and neither has colour output facilities for the increasingly popular "Pantone" system, which provides a guarantee of colour-matching. 3B2 does, however, provide traditional CMYK (cyan, magenta, yellow, black) separations with proper controls over screen angles. What both of these packages provide is a realistic system for the control of paragraphs. Most DTP programs now have some sort of paragraph tagging system whereby a paragraph style is defined and can then be applied quickly and consistently.

No DTP software comes close to these two packages in the detail with which a paragraph style can be specified. Of the two, 3B2 has a wider range of paragraph styling options, but Ventura is simpler use.

Ventura has traditionally run under Gem, although it has recently been released in a version for microsoft Windows. 3B2 incorporates its own graphical user interface (mouse, menus, icons – the "point and click" approach). 3B2's interface has recently been improved, but it's still not as smooth as that of either Gem or Windows.

Windows is now the leading graphical user interface on the PC, and most major programmes are now available in Windows versions, or will soon be revised to run with Windows. That means that word processor files or graphics for use with the DTP software will increasingly be produced within Windows. All this means that the Windows version of Ventura ought to establish itself as the standard.

Ventura has the same features in Gem and in Windows, but the performance is very different. Gem is far faster, and the Gem version of Ventura can run realistically on a computer with the 80286 processor, whereas the Windows version needs at least an 80386 computer. Print speeds show particularly dramatic differences with Windows taking three times as long as Gem to print a given document. To get comparable performance from Windows Ventura, expect to spend twice as much on hardware.

On the Macintosh the leader is Quark Xpress from Computers Unlimited, but Letraset's Ready Set Go (version 4.5) recently closed the gap, and Aldus Pagemaker is worth considering on the Mac – the Mac package is significantly better than the PC-based Pagemaker.

Aldus recently announced an upgrade of the Mac-based Pagemaker, making it Pagemaker 4. The promised specification suggests a significant improvement of text-handling abilities. Xpress has also recently upgraded, to Xpress 3.

Running a Mac-based system and a PC-based system side by side – which may be the answer for some applications – is an eye-opener. With a standard Mac colour screen you can choose Pantone colours onscreen, with literally thousands of shades capable of being distinguished one from another, and all in smooth tones. With a 24-bit display and the appropriate calibration system, you can even have Pantone-guaranteed onscreen colours, not just a rough approximation.

Support of image setting shows a similar, though less extreme contrast. Here the PC-based packages diverge with far better support from 3B2 for options such as negative and read-wrong output, which are standard on the Mac packages.

Regarding ancillary software, graphics software is less dominated by the Macintosh than might be expected. Inevitably the Mac packages look better onscreen, but in fact Corel Draw, a Windows-based PC package, is one of the leading general purpose drawing packages, and the PC-based version of Adobe Illustrator is just as good as the Mac-based version. Where the Mac is superior is in type control; the PC has only one serious font-editing package, Publishers' Type Foundry, whereas the Mac has several, including Fontographer from Ansys, and Fontstudio from Letraset.

Inevitably there are all sorts of ways to tip the balance; the system may need to take in files from elsewhere in the organisation as a matter of routine, and although some text and graphics files can be moved relatively easily between Mac and PC formats, there are plenty of traps. All other things being equal, follow the standard within the organisation. Similar considerations may apply if the output goes to a bureau service.

Not least of these considerations is the experience of the full-time DTP staff. Any good user will have a battery of tricks which it would be foolish to ignore.

Don't force design-oriented PC-addicts into the Macintosh straitjacket, or vice versa. The simplest way (if not the cheapest) to buy a professional DTP system is to hire the right staff and let them choose.

Harry Smart

Caroline Bassett on DTP after the first over-enthusiastic flurry

Designed for the mid-range and occasional user

THE phrase DTP covers a multitude of sins, some of them heinous. In its early days it was responsible for a swathe of publications immediately recognisable as "desktop-published": the products of font-drunk executives-turned-designers, seduced by their Macintoshes.

The lunatic fringe still exists, but mainstream DTP has quietened down. Increasingly, there is a divide between design-intensive users and a much larger group of corporate publishers, who want to be able to pull together text and graphics of a fairly high quality but whose first priority is flexibility and the ability to handle text in bulk.

This fragmentation is reflected in the software which is becoming correspondingly specialised.

Long-document publishers are not necessarily looking for increased typographic control over kerning, tracking or leading. In fact, often they want this to be as automated as possible. First on their list of desired improvements are improved document-handling facilities and a better spread of features.

Upgrades in the works from Aldus, which has announced Pagemaker 4.0 for the Macintosh and also plans a Windows version, and from Xerox, which plans to put Ventura Publisher on to three new platforms address this area in some depth. To an extent, Pagemaker has been spreadeagled between two worlds – its elegantly simple pasteboard metaphor endearing it to designers on the Macintosh, while the PC version in particular continues to compete directly against Ventura in the business arena.

Pagemaker 4.0 for the PC has been announced and previewed, and the bulk of its 75 new features appear to steer it decisively towards corporate publishing – perhaps predictably, since sales are 2:1 in favour of the DOS-based version.

Among the most important innovations is a Story Editor function which provides Pagemaker 4.0 with text-editing capabilities such as search and replace, covering type styles and attributes, as well as words and phrases.

Aldus has taken up possible document length to 999 pages and has also included a Book feature which can combine multiple documents. Contents and table generators will interact with the Book function making indexing simpler. Page numbering has also been improved.

In addition, Aldus has introduced tracking, control over letter spacing, and limited rotation. What it has not done is integrate process colour facilities into its programme. Instead it has announced Pre-Print, a colour pre-press separator facility – although some of this technology may well find its way back on to the main programme.

Other developments have been fired by the imminent arrival of Apple's much-hyped and long-delayed System 7 for the Macintosh, which it was hoped would roll out sometime this year although it has been rumoured next year is more likely. Pagemaker 4 for the Mac has a "link" between the original text file and the layout, using the "hot-links" planned for System 7. Changes in the imported file will automatically be reflected in the other.

Market research figures suggest Pagemaker and Ventura take more than 70% of the entire DTP software market in terms of value

Operating systems also made it a long hot summer for Ventura Publisher as it aims for a product that spans four operating environments. Always intended as a publishing tool rather than a page makeup programme, Ventura is already orientated to working with complete documents, and Phil Hanes, Xerox marketing manager for Ventura, suggested the flexibility it will gain from busting the 640K limit may well be used to enhance typograhical control and increase colour capabilities.

What of other DTP packages? There are a plethora of different DTP solutions, including the German all-in-one package Ragtime, Letraset's Ready Set Go and Timework's Publish-It, with prices nudging well under the £695 currently charged for Pagemaker. But figures from market researchers Romtec suggest that between them Pagemaker and Ventura take over 70 per cent of the entire DTP software market in terms of value, and given that Quark Xpress takes a chunk out of the design market end and this is also where Letraset's Design Studio is headed, it appears that for most corporate publishers the decision is simply a choice between these two packages.

The problem with mid-priced DTP software is partly that it tends to provide a very much more limited performance for a very limited saving – especially if the cost of the hardware involved in DTP is taken into account. Another reason perhaps is that users may not want pixel by pixel control, but they do want quality. Corporate DTP is cognisant of a generally raised level of awareness of design and quality and users want packages that make their output look professional.

There is however, growing interest in the possibilities of workstation publishing programmes such as Unix-based Interleaf Publisher and FrameMaker. So far these have a small share of the market, but FrameMaker has recently been ported to the Macintosh and is also available for Steve Jobs' NeXT machine.

Interleaf allows for the most automated production of any DTP package for the Macintosh or the PC. It is built for large scale corporate publishing. On the other hand it is an obvious hand-me-down from Unix and is exceptionally user unfriendly. FrameMaker has a far more cuddly interface – on the Macintosh at least – and is also more sophisticated typographically than its rival.

What sets FrameMaker apart is that is boasts integration where both Ventura and Aldus stress modularity, claiming to break down the "artificial division" between text, graphics, page layout and book building tools. It provides a single package incorporating all these areas and adding a mathematics package – although it can also import standard graphics format files including including TIFF, PICT and EPSF.

Most people don't feel integration is the way to go. Marcel Goga, who set up a DTP division at Aptec, a large DTP distributor which also operates a training centre, said new software categories would emerge rather than old ones blur. "Graphics has been considered a part of the DTP process to date, but given colour, scanning and imaging developments, it is emerging as its own area. That is defining DTP as document processing – and while you might be able to please everybody with the basic packages, in the business environment you can't be all things to all people."

Julie Harnett analyses the benefits and pitfalls of DTP

System for all seasons?

UK MANUFACTURERS have much to learn from their Italian and US counterparts when it comes to product support literature, says James Woudhuysen, a director of the Exploration Design Laboratory at Fitch RS. In his view, some sales brochures do little to help the hapless purchaser looking for a solution to a problem.

Imagine you are a facilities manager needing to buy 500 electronic workstations for people with varying functions. You will have a wide choice of products, with designs as good, if not better than, anything to be found on the Continent. The product literature, however, is likely to be a haphazard assortment of general leaflets, none of which presents all the facts at a glance.

You will receive a sales brochure containing colour pictures and a blurb highlighting main sales points; leaflets on individual products; and specification sheets containing drawings of component parts with dimensions. There may even be a price list.

Faced with wading through all that, you might well throw up your hands in despair and turn instead to a more caring supplier who has addressed the problem from the customer's perspective and produced support literature that makes the buying process easier and less time-consuming.

Using DTP, comprehensive sales brochures, complete with colour photographs, descriptive text, diagrams and prices, can be produced in limited quantities and frequently updated in a fraction of the time and at a fraction of the cost of traditional methods.

In this type of application, DTP acts as an electronic production co-ordinator and print master maker. Depending on the sophistication of the package, information can be collated from different sources, be it text produced on a word processor, component diagrams produced on the drawing board or computer aided design (CAD) system or prices stored on a PC.

The publications designer can then make up pages on the screen, changing them as often as required and, when everyone is satisfied, storing them on a disk which is then sent to the typesetter or printer where headlines and photographs can be stripped in before printing.

■ **DTP for Corporate Reports**

The UK board's annual report, complete with reviews from the chairman and directors, has been prepared well in advance and despatched to the typesetters. Then, your US holding company announces the takeover of another UK firm. The report is forgotten in the ensuing rush – until the printer asks for the go-ahead. However, Head Office says that information has to be added to advise shareholders of the latest acquisition and its implications.

Two weeks later, when the new text has been written and approved, page layouts altered to make room for the new copy and new printing plates made, the presses can roll. The printer then tells you have missed your slot in his schedule and he cannot handle the job for another week.

With a DTP system, such problems are unlikely. Because the entire preparation process is controlled in-house, the report does not have to be sent to the typesetter so far in advance; changes can be made right up to the last minute.

■ **DTP for Newsletter and Magazine Production**

The Editor has called for drastic changes to the front page. With the traditional print and production processes, the chances are that it will be impossible to meet the publishing deadline.

The copy has to go through so many stages – from author to editor, to art editor to typesetter to plate maker – that it is a wonder any publication meets its deadline. Copy has to be checked and rechecked at every stage to ensure that no errors have crept in.

DTP eliminates many of those stages and keeps the time-consuming activities in-house. Once approved by the editor, errors cannot creep in. The art editor is free to design the page to suit the text and to experiment with layouts without adding days to the time schedule.

Costs are reduced because rekeying at the typesetters becomes a thing of the past. Turnround is faster because there are fewer intermediary stages and printing can be completed on demand.

■ **DTP for Technical Manuals**

The manuals and support material for the new product are ready for press. Then the lawyer says: "Sorry, we cannot use that name; it has to be changed." A few days later, the product design team says an important modification has been made, which means certain diagrams have to be changed. You are not too worried; your company uses DTP. Checking the text, captions and footnotes on every page as well as the contents list and index to find any reference to the name is simple.

It will be just as easy to change sales brochures, mail shots and packaging: or so you had assumed. The problem is, you are using a page layout-cum-mastering making system for each application.

Changing brochures and short documents is one thing; coping with long documents that are subject to frequent revision is another. For example, in order to carry out a simple search and replace function, you have to go out of DTP into word processing to make changes to the text; then you must import the amended text back into DTP and check all the reformatting, which may have left illustrations stranded on the wrong page.

Then you will have to come out of DTP and go into the graphics system to alter the diagrams before importing them back into DTP.

DTP updating takes place in a fraction of the time, at a fraction of the cost

Where the publication editor is also the author, an integrated desktop publishing system, where all changes can be made within the one environment, would not only ensure higher productivity at the composition stage but would enable changes to be made quickly and with minimum effort. It would not be necessary to go through a document page by page to check that alterations to the text have not made nonsense to the layout.

In other words, you need to have defined your DTP application precisely, in order to know which system or mix of systems will be most appropriate. There is not a single DTP package on the market that will meet every requirement.

In his capacity as a member of the committee of the British Computer Society EP (Electronic Publishing) Group, Andrew James offers these cautionary words: "We hear time and time again of people who went wholeheartedly into DTP only to discover it did not produce the miracle they had hoped for.

"It invariably turns out that they have not taken into account considerations such as networking, long document management, data security and training. I have even heard people say that it is supposed to be easy, why do they need training. But there is more to DTP than straight function tick boxes".

■ **DTP Oversold**

The concept of DTP has undoubtedly been oversold, not only in terms of capability but in terms of need. DTP may well be suitable for applications such as CVs, letters, press releases, overhead transparencies, price lists and forms, but is it necessary? Developers of word processing, database and presentation software have now added DTP type facilities to existing software so that attractive layouts can be produced without the need for separate DTP software.

Rosalyn Stein, an independent PC applications consultant, agrees that DTP was over-hyped.

"There has been a massive boom in DTP, and there are many £12,000 systems sitting in corners because they did not live up to expectations. But now everything is calming down and people are beginning to realise that that kind of expenditure is not always necessary.

"For example, I was called into give a quote for a networked DTP system which was to be used for producing nicely laid out lists from the database system. But the company could already do it within their existing database software and did not realise it. There are just too many dealers out there trying to hoodwink people".

As press officer for the Ventura User Group in her private capacity, Stein says that where a company needs to produce high quality publications, DTP is the answer. But it is not the answer for every application. Better a working tool that is fully used than an expensive toy which is been abandoned after the initial interest has worn off.

Much also depends on the user. A report produced by US market researchers International Resource Development Inc. in August 1988 noted that the main person having to contend with DTP was the secretary.

"Most users absolutely love the ease of today's desktop publishing systems but there are exceptions. Some secretaries see their role, particularly in producing professional-looking correspondence, as being undercut by the new systems; some are brought to tears and want their 1950s vintage IBM executive typewriters back," the report said.

With the latest Office Publishing systems, such as those developed by AEG Olympia and Olivetti Office, the prayers of such secretaries are answered. These new electronic typewriter-based systems, due for UK launch within the next few months, will allow typeset quality document masters, complete with tables, graphics and photographs, to be prepared within a familiar, environment. The learning curve will be shorter, and the multi-function nature of the systems should mean a quicker return on the initial investment.

User case studies

Learning from experience

IQD, the crystal specialists, wanted to be able to produce their catalogue in-house. Essentially a technical document containing 184 pages with tables, specifications and line drawings, it had to be of high quality because it is a sales document sent out to engineers in the electronics industry.

They chose Ventura, with the Professional Extension, because it could deal not only with basic document composition but with equations as well as colour separations.

The system has proved more useful than anticipated, as Paul Fear, the marketing director, points out: "We now produce all our documents on it, including brochures, instruction manuals and even artwork for our headed paper."

The Golf World magazine group decided to introduce desktop publishing in order to extend copy deadlines, provide more flexible production schedules and reduce substantial authors' correction costs.

As a result, the company's three magazines became the first in the UK to be produced wholly on the Scitex Visionary desktop page layout system.

A combination of an enhanced version of the increasingly popular Quark XPress software, Visionary runs on Apple Macintosh personal computer hardware enabling complete pages, including text and graphics, to be designed and then transferred digitally to a high performance electronic page composition system for further image manipulation and final film output.

With the editorial and art department linked on a network, copy is composed by journalists using Amstrad PCs. It is then transferred to the Macintosh IIs where pages are designed and made up with the help of large four-colour screens.

The results are stored on 3.5in disks and passed to the repro house, Quadcolour, where the colour illustrations are incorporated prior to printing.

The big attraction to the staff, according to *Golf World* editor, Robert Green, is that the art department has the ability to experiment with design ideas in-house and on-screen – "In the past, the time involved made it an expensive luxury".

The deputy art director, Martin Gammon, agrees that staff satisfaction is greatly improved and that, a few months after the introduction of the new system, it is working even better than expected – "we were concerned that, being a very busy department, we would not be able to devote enough time to training. But it is far easier to use than we anticipated."

Authors at CMB Packaging Technology had no need to be persuaded about the advantages of DTP, according to their publications controller, Ian Findlay – "the problem was the software became so cheap, only £300 or so, and a lot of people bought them – and misused them.

"You can have 16 colours, 12 typefaces, different column widths and so on, but you are not supposed to try and get it all on one page."

It was therefore decided that there should be a standard DTP system and a common house-style and design standard to ensure a consistent corporate image no matter what type of document was being produced.

CMB realised that one system would not meet every requirement, and decided to look for a document composition system for producing technical manuals of manufacturing standards; a page make-up system for brochures, sales leaflets and so on; and a desktop presentation system for creating slides and OHPs.

For manuals, they chose Interleaf because it could handle large documents and had the ability to import graphics from AutoCAD.

For publicity material they opted for Aldus PageMaker, with outside printers handling Linotronic work and four-colour offsetting printing. And for presentation materials, they selected the latest version of Lotus Freelance because it gave them the PC data linking capability and is ultra easy for first-time users in marketing and sales.

"There is no doubt that have a PC network saves us a great deal of money when producing the various publications," says Ian Findlay.

"If people don't want to be bothered with DTP, they can simply compose the text on a word processor and send it to us electronically for page design.

"If they want to produce a slide show, they can create data using something like Lotus 1-2-3 and import it to Lotus Freelance to produce pie-charts and graphs. They can take slides form the departmental file or central file, mix them up and they will all look the same."

The secret of success? "Our decision to call in Inform Graphics, not only to help us create a corporate design and presentation style, but for training. We should have done it years ago."

Julie Harnett

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LONDON STOCK EXCHANGE

Shares steady in sluggish trading

EQUITY TRADING volume fell to a 21-month low in London yesterday as investors assessed the implications of weekend developments in the Gulf crisis. The big investment funds were not inclined to open up new positions in the face of Wall Street's closure for the Labor Day holiday.

With a further fall in sterling again helping shares in companies with large overseas earnings, the equity sector tried at first to extend gains achieved at the end of last week. Within half an hour of the official opening of trading yesterday, the FT-SE Index was nearly 14 points ahead, bringing back into focus the 2,200 mark lost in the middle of last month.

Account Dealing Dates

*First Dealings:	Option Declarations:	Last Dealings:	Account Day:
Aug 20	Sep 6	Sep 7	Sep 17
Sep 10	Sep 20	Sep 21	Oct 1
Sep 24	Oct 4	Oct 5	Oct 15

*New-time dealings may take place from 8.30 am two business days earlier.

But the lack of trading volume, reflected also in a lacklustre performance from the futures market, soon trimmed these early gains.

By the close, when London market firms were lacking the usual input from their US trading offices, share prices were slipping towards overnight levels. At its final reading of 2,166.6, the FT-SE Index retained only a 3.8 gain on the day, after struggling to hold on to positive territory at mid-session.

But a more comprehensive picture of the day came from the total of shares traded through the Seaq system which, at 221.2m, was the lowest daily figure since December 28 1988. Daily Seaq statistics make no distinction between genuine investment business and inter-market dealing and are consequently not always a clear guide to institutional activity; however, there was little doubt yesterday that European investors were resting on their oars until Wall Street returns to business.

There were a few active sectors, despite the general air of calm in the market. Further gains in crude oil prices proved sufficient to boost oil shares, although not enough to seriously upset shares in the manufacturing companies whose costs will be increased. BP and Shell were firmer, and among the North Sea stocks, LASMO and Enterprise Oil also found buyers.

The opening of the Farnborough Air Show, traditionally an important showcase for the aerospace/defence industry, inspired some activity in British Aerospace, Rolls-Royce and other leading names in the sector.

Across the broad corporate front, there were few features. The exception was Thorn EMI, which fell heavily on the news that discussions on possible purchase of Thorn's UK lighting businesses by GTE of the US have been terminated; this was regarded as bad news for the UK company, as well as a warning sign for British industry of the implications of the advance in sterling over recent months.

Polly Peck also closed lower despite its announcement of sharply higher profits and dividend payment.

Thorn hit after sale collapses

AN EARLY improvement in the Thorn EMI share price was wiped out and the stock fell sharply after an afternoon announcement that talks between Thorn and GTE, the US group, regarding GTE's possible purchase of Thorn's UK lighting businesses had been terminated.

Thorn shares touched 660p in early deals but rapidly retreated to end the session a net 34 off at 623p, having fallen to 621p at the day's lowest. Turnover expanded strongly, eventually reaching 3.6m shares.

Thorn disclosed that it was holding talks with GTE over the possibility of GTE buying its lighting businesses as long ago as May. At the time, the market expected Thorn to realise between £300m and £350m from the sale. Specialists blamed GTE's withdrawal on sterling's performance during the intervening period. Thorn was also said to have held out for the higher price.

Thorn is scheduled to announce interim figures in December. "Last year's figure of £109m pre-tax looks vulnerable, with a number below £100m on the cards," an analyst said.

Polly Peck reacts

The troubles of recent weeks were briefly put behind Polly Peck as the company announced a 72 per cent jump in interim profits to £110.5m.

Mr Jack Jones at UBS Phillips & Drew said the profit figure was £10m higher than expected and that the 5½p dividend was ½p above forecasts. He added that buying from the US late on Friday may have contributed to the stock's early perkiness.

Mr John Wakeley at Shearson Lehman believed that volume growth in most tropical fresh fruit was good, fuelled by concerns over healthy eating.

The shares ran 16 better during the morning session, shrugging off the Stock Exchange's criticisms last week of the short-lived plans to take the company private. But the soporific mood of the wider market soon took its toll and the shares drifted to end at 285p, down 6 on the day.

BAe powers ahead

The news that Airbus Industrie is coming into profit ahead of schedule and the improved outlook for British defence companies, according to the latest UBS Phillips & Drew analysis, gave power to British Aerospace. The shares outperformed the wider market, closing 12 up at 544p, after a day's high of 550p.

Mr Jean Pierson, chairman of the four-nation European aircraft manufacturing consortium, broke the news at the opening of the Farnborough Air Show. He said Airbus would make a profit this year for the first time in its 20-year history, ahead of the original target for breaking even in 1992/93.

Drawing on the impact of the Falklands on UK defence spending and defence contractors' share prices, UBS Phillips & Drew predicted that defence stocks would rise strongly if conflict in the Gulf led to military confrontation.

Two other investment banks focused attention on prospects for strong growth for civil aerospace which helped sentiment not only in shares of BAe but also those of Rolls-Royce, up 3 at 191p, Dowty, 2 better at 197p, and AIM Group, which jumped 7 to 137p.

International stocks advanced on the back of sterling's weakness against the dollar. Reuters was given an additional helping hand by New York buying late on Friday and the shares climbed 20 at one point before settling 11 up on the London day at 849p.

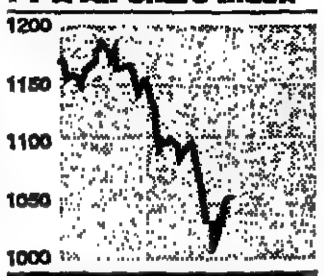
Traders said that there had been UK institutional interest in ICI, which firmed 3 to 814p. An article in a US business magazine helped SmithKline Beecham rise 6 to 535p. The article's positive tone was based on the notion that the benefits of last summer's merger of SmithKline Beckman and Beecham are now becoming apparent.

Brewing leaders slipped as buyers failed to turn up in the wake of last week's good performance from the sector. Allied Lyons eased 5 to 484p and Bass shed 8 to 1028p.

One exception was Guinness, which built further on last week's rise by adding 7 at one point. The shares eventually closed unchanged at 712p, with analysts saying that the company's interim results due on September 20 "will be good."

A 52 per cent increase in interims at Invergordon Distillers, the Scottish whisky company, failed to inspire investors. The shares eased 2 to 132p. Invergordon was listed on the stock exchange in May, having been placed at 135p. It had been a management buy-out from Hawker Siddeley in the summer of 1988. Analysts say the stock is being held back by the company's shortage of premium brands and products.

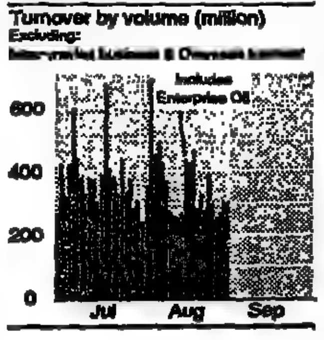
FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)

Excluding: Intra-market business & Overseas turnover



Cookson registered sizeable trades, including one of 1.7m shares, after a report that James Capel had placed 2m shares at 125p. Capel refused to comment. The shares have fallen from a high of 306p this year – they remained at 127p yesterday – as brokers downgraded profits estimates. Disposals and restructuring are expected, including the possible sale of the company's Tioxide business. Turnover yesterday finally amounted to 5.3m shares.

Favourable advice ahead of today's interim results made scant impression on chemical manufacturer MTM, at 204p. BZW expects the company to reports profits of £5.3m, against £4.1m, although this will result partly from the first-time inclusion of acquisitions, and a 14 per cent increase in the dividend payment. The stock's rating is "not overly demanding" and we continue to recommend purchases, said the investment bank.

Caird Group, a leading waste management group, became nervous as marketmakers ran into a series of selling orders amid talk of a broker's downgrading ahead of the second interim results, due on Thursday. The shares fell 10 to 152p. County NatWest, which is looking for profits of £9m, compared with £4.8m last year, said recently the company has established the basis for sustained long-term growth.

Persimmon put on 9 to 163p after the housebuilding group revealed interim profits of £15.55m against £16.2m and an increased interim dividend. The figures were accompanied by what dealers described as a positive statement. "I would venture that Persimmon's figures will be the best received of any of those in the building sector this week," noted one building specialist. Other groups reporting this week include Blue Circle, Amec, Wimpey, Wilson Connolly and Wilson Bowden.

Anglia Secure Homes rose 6 to 36p after some aggressive demand from one source. On a less happy note Fairbriar, the property and construction group, dropped alarmingly from 10p to 4p – "the share price speaks volumes about the state of the company," was the cautious comment from one dealer in the stock.

Lighting group Emess weakened to close 4 off at a year's low of 59p after announcing lower interim profits – down from £8.2m to £6m; the reduced profits were only partly offset by the marginally increased interim dividend.

Delta, firmer at 296p, were given a push by Carr Kitcat & Aitken whose Martin Smith issued a strong buy note on the stock ahead of interim figures scheduled for September 11; Mr Smith expect Delta to achieve pre-tax profits of £46.5m, compared with £43.1 and for the interim to be lifted from 3.9p to 4.4p. "Delta's markets remain healthy and there is scope for a significant boost in profits from Delta Crompton Cables' rationalisation programme," said Mr Smith who added that a takeover bid for Delta "cannot be ruled out."

STC moved up strongly, closing a net 5 firmer at 247p, after 249p, following weekend Press reports that the company has been holding talks with Northern Telecom, the Canadian group, which has a 27 per cent stake in the UK group, which could lead to the Canadian group disposing of the shares.

Ferranti lost 2½ to 23p with turnover of 1.5m mostly accounted for by a single trade of 1m shares, after stories that GEC may have paid Ferranti some £25m to £30m too much for its defence businesses earlier this year.

A bullish note on the Racal twins issued by BZW, formerly bears of the stocks, helped Racal Telecom move up 6 to 296p. Racal Electronics settled a shade off at 171p.

Northern Foods firmed 2 to 322p as BZW raised its forecast for current year profits by £1m £101.5m. Trading was going very well with good volume growth, said BZW.

Stores drifted lower, with traders blaming the outlook for a cut in interest rates rather than yesterday's retail sales figures. Marks and Spencer and Boots each shed 4 to 233p and 294p respectively. Gus fell 12 to 1010p.

Traders said that there was much talk, although little evidence, of a line of Kingfisher stock on offer at below the market price. Kingfisher ended at 340p, down 4 on the day.

Shoe retailer Church held at 310p despite posting interim profits almost 13 per cent higher at £1.9m. The dividend was unchanged at 3p.

Oil and gas stocks were among the market strongest performers, responding to the latest upsurge in crude oil prices. October Brent spurted $1.40 to $28.10 a barrel after the lack of progress of talks between the United Nations Secretary General and the Iraqi Foreign Minister. News that Saudi Arabia had increased output by 2m barrels a day and may up their output to 8m barrels a day in the fourth quarter did nothing to restrain prices.

Turnover in the leaders was described as disappointing. BP, where 6.1m shares changed hands, moved up 6 to 370p. Shell advanced 14 to 486p in thin trading of 1.5m shares.

Enterprise added 10 at 675p on speculation that Elf Aquitaine may now be more inclined to sell on its 25 per cent stake to an oil industry buyer after the UK Government's stance on State-owned groups taking over UK companies, illustrated by the referral to the Monopolies Commission of Credit Lyonnaise's acquisition of Woodchester. Enterprise reports interim figures on Thursday.

Lasmo, chased up recently amid talk of imminent drilling news, moved up 13 more to 500p. Burmah, upset by sell recommendations issued by County NatWest and Nomura and scheduled to reveal interims on Thursday, lost 4 to 533p. Nomura expects Burmah to achieve profits of £42m against a comparable £43.5m with an interim of 9p net, against 8p net.

A good showing by British Gas, 6 to the good at 223½p on relatively thin turnover of 3.7m was attributed by specialists to be the stock catching upn after a very poor performance last week.

Goodhead the printing, free newspaper publishing and design company which moved to the main market in September 1988, posted full-year profits 28 per cent lower than the previous year at £4m. The shares slipped 5 to 71p.

A Smith New Court report on small property companies brought sell ratings for Erostin, down 17 at 58p, and Priest Marians, 4 easier at 35p. Smith said the lack of rental income and £2m of interest charge do not inspire confidence in Erostin while crisis levels of gearing make Priest Marians, which is seeking equity refinancing, a similar play. London & Metropolitan came in for the same treatment and lost 5 to 34p.

Under pressure since last week's poor first-half statement, Bredero rallied 3 to 143p on the investment bank's assessment that the stock was a long-term buy. "Temporarily there may be a hiccough in the profits but in the longer term the company will come up with the goods," said Smith.

Frogmore Estates, another of last week's casualties, continued to decline awaiting the preliminary statement, expected sometime this month. The shares closed 9 down at a 1990 low of 285p.

Halls Homes & Gardens revealed higher half-yearly profits but warned that second-half trading was unlikely to produce better than a break-even result," news which dropped the shares 33 to 55p.

■ Other Market statistics, including the FT-Actuaries share index, Page 27

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (2).
BRITISH FUNDS (3) INDUSTRIALS (8) Cauldon, Great Southern, Scott Pickford, OILS (2).
NEW LOWS (95).
BANKS (1) BUILDINGS (3) CHEMICALS (4) STORES (4) ELECTRICALS (7) ENGINEERING (5) FOODS (3) INDUSTRIALS (17) Arley, Assoc. Farmers, Beaverco, Bilston & Battersea, Brooks Services, Comac, Courtney Pope, Halls Homes & Gardens, Linton Park, NMW Computers, Pacer Systems, Porth, RKF, Select Appointments, [illegible], Vale & Vevor, INSURANCE (2) LEISURE (8) NEWSPAPERS (1) PAPERS (6) PROPERTY (17) SHOES (2) TEXTILES (1) TRANSPORT (2) TRUSTS (7) OILS (1) OVERSEAS TRADERS (1) THIRD MARKET (1).

FINANCIAL TIMES STOCK INDICES

	Sept 3	Aug 31	Aug 30	Aug 29	Aug 28	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.49	78.33	78.13	78.09	78.15	86.46	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	86.39	86.39	86.52	86.44	86.52	97.83	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1687.4	1693.6	1687.9	1658.8	1657.4	2003.6	1968.9 (3/1)	1604.2 (23/8)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	196.2	197.3	194.0	188.8	190.1	138.6	373.5 (6/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2166.6	2162.8	2153.6	2125.7	2126.1	2419.2	2463.7 (3/1)	2075.0 (23/8)	2463.7 (3/1/90)	986.9 (23/7/84)

	Sept 3	Aug 31	Aug 30	Aug 29	Aug 28	Year Ago
Ord. Div. Yield	5.61	5.59	5.61	5.71	5.71	3.94
Earning Yld %(full)	11.95	11.90	11.95	12.16	12.18	9.43
P/E Ratio(Net)(☆)	10.15	10.20	10.16	9.98	9.99	12.78
SEAQ Bargns 4.45pm	16,327	16,992	18,217	16,307	20,048	28,392
Equity Turnover(£m)†	-	623.86	*362.80	560.64	595.97	823.48
Equity Bargains†	-	16,426	*17,528	16,891	20,669	39,932
Shares Traded (ml)†	-	304.4	*301.3	273.1	254.6	343.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.99

Ordinary Share Index, Hourly changes — Day's High 1701.2 — Day's Low 1686.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1694.9	1701.0	1688.0	1694.0	1695.4	1694.6	1691.5	1687.3	1693.6

FT-SE, Hourly changes — Day's High 2178.7 — Day's Low 2163.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2166.2	2178.7	2173.5	2169.6	2171.0	2169.7	2167.9	2164.1	2167.4

GILT EDGED ACTIVITY

Indices*	Aug 31	Aug 30
Gilt Edged Bargains	72.3	70.0
5 – Day average	73.2	75.4

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover. *Corrected figs.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	43	154	+1
ASDA Group	1,900	115	
Abbey National	755	208	-1
Allied-Lyons	[illegible]	484	-5
Amstrad	[illegible]	58	
Anglian Water	2,400	239	-4
Argos	793	240	-1
Argyll Group	730	223	-1
Ass. Brit. Foods	265	421	+2
BAA	398	382	-4
BAT Inds.	1,230	528	+5
BET	497	221	-2
BICC	408	383	-2
BOC	144	480	-3½
BPB Inds.	591	182	-1
BTR	542	389	-1
Barclays	1,000	336	-3
Bass	274	1028	-8
Beazer	436	134	-1
Berisford Int.	664	43	
Blue Circle	1,300	204	-4
Boots	780	294	-4
Brit. Aerospace	579	544	+12
British Airways	440	171	-1
British Gas	3,600	223½	+6
British Land	8	280	+1
BP	6,100	370	+6
British Steel	2,800	133	+1
British Telecom	3,900	284½	+1½
Bunzl	232	76	
Burmah Castrol	475	533	-4
Burton	890	101	-1
Cable & Wire.	1,000	468	
Cadburys	535	304	+1
Calor Group	9	320	
Carlton Comms.	399	333	-1
Coats Viyella	881	98	+1
Comm. Union	253	402	
Cookson	5,300	127	

	Volume 000's	Closing Price	Day's change
Courtaulds	259	316	-6
Dalgety	83	356	-3
Dixons	263	138	-1
ECC Group	263	350	+2
Enterprise Oil	511	675	+10
FKI	53	67	+1
Ferranti	1,500	23	-2½
Fisons	617	387	-7
Gen. Accident	1,000	464	-1
General Elect.	1,100	184½	+½
Glaxo	807	736	-½
Glynwed Int.	49	282	-1
Granada	95	280	
Grand Met.	731	558	-7
GUS A	99	1010	-12
GRE	1,100	186	-3
GKN	678	345	
Guinness	620	712	
Hammerson 'A'	37	584	+1
Hanson	3,100	209½	-1
Hanson Warrants	207	47	
Harrisons Crosfield	98	186	+2
Hawker Sidd.	387	486	+1
Hillsdown	1,000	259	-1
IMI	535	217	+1
ICI	1,000	814	+3
Inchcape	47	333	+2
Kingfisher	1,300	340	-4
Ladbroke	1,800	282	+5½
Land Securities	443	462	
Laporte	80	459	-2
Legal & General	315	384	
Lloyds Abbey	37	318	-3
Lloyds Bank	623	288	-5
LASMO	1,000	500	+13
Lonrho	1,400	243	-1
Lucas	486	134	
MB Group	13	181	
MEPC	463	482	

	Volume 000's	Closing Price	Day's change
Manpower	122	54	+1
Marks & Spencer	2,900	233	-4
Maxwell Comms.	1,000	169	
Mecca Leisure	0	72	+1
Midland Bank	355	358	-5
NatWest Bank	1,400	288	-1
Next	843	35	
North West Water	732	222	-2
Northern Foods	686	322	+2
Northumbrian Water	147	322	-3
Pearson	137	703	-1
P & O	1,000	541	-6
Pilkington	2,000	166	-4
Polly Peck Intl.	8,300	285	-6
Prudential	1,100	218	+2
RHM	582	294	-1
RMC	80	594	-1
RTZ	676	473	+1
Racal	2,400	171	-1
Racal Telecom	104	296	+6
Rank Org.	1,300	611	+2
Reckitt & Colman	181	1181	
Redland	151	579	+2
Reed Intl.	776	358	+1
Reuters	223	849	+11
Rolls Royce	2,000	191	+3
Rothmans	78	704	-1
Roy Bk Scotland	121	150	-1
Royal Insurance	900	431	+1
STC	632	247	+5
Saatchi	179	67	+2
Sainsbury	981	300	+1
Scottish & New.	472	340	-5
Sears	1,300	90	-2
Sedgwick	27	198	
Severn Trent Water	877	273	
Shell Transport	1,500	486	+14
Siebe	314	386	-1
Slough Ests	44	229	

	Volume 000's	Closing Price	Day's change
Smith (W H) A	288	323	-4
Smith & Nephew	503	99½	-1
SmKl Beecham	1,100	535	+6
SmKl Beecham Units	0	2400	+37
Smiths Inds	18	305	
South West Water	160	218	-4
Southern Water	934	205	-3
Standard Chartd.	317	374	+1
Storehouse	1,100	132	
Sun Alliance	1,600	289	-6
Sun Life	3	1055	-9
T&N	38	159	
TI Group	25	449	+3
TSB	481	100	
Tarmac	542	228	-6
Tate & Lyle	407	359	
Taylor Woodrow	147	230	-2
Tesco	1,100	234	+1
Thames Water	657	228	-2
THORN EMI	1,600	623	-34
Trafalgar House	237	232	+5
Trusthouse Forte	579	294	-2
Ultramar	937	358	+1
Unigate	140	300	
Unilever	186	828	
United Biscuits	426	324	
Utd Newspapers	390	308	+1
Water Package Uts.	0	£2233	-22
Wellcome	1,100	469	-6
Welsh Water	17	233	-3
Wessex Water	38	218	-3
Whitbread 'A'	428	430	-5
Wiggins Teape	2,450	170	-1
Williams Hldgs.	770	224	-3
Willis Faber	87	329	+2
Wimpey	402	205	-1
Yorkshire Water	217	226	-2

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

APPOINTMENTS

Top London banking post

■ Mr Corrado Amari has been made senior deputy general manager of BANCO DI ROMA, London branch. He was previously responsible for the capital markets activity within the international finance department of the head office in Rome.

■ Mr Stephen Henton has been appointed company secretary of DAVY CORPORATION on the retirement of Mr John Claxton.

■ Mr Geoff Wakelin has become managing director for MOCCOMAT BEVERAGE SYSTEMS, part of the Sarah Lee/Douwe Egberts beverage systems division. He joins from Lyons Tetley where he was general manager responsible for catering sales and marketing before being appointed catering and distribution director in 1987.

■ Mr Ian Macpherson, chairman of Low and Bonar and chairman and chief executive of Watson & Philip, has joined the board of SECUTITIES TRUST OF SCOTLAND.

■ Mr Peter Walker, MP, has joined the board of THORNTON & CO as a non-executive director. Thornton, an international fund management group based in London and Hong Kong, is a member of the Dresdner Bank Group.

■ Mr Clive Bradly (pictured) has been appointed vice president of Europe, Africa and the Middle East by DATACARD CORPORATION, the plastic card technology and systems company. He was previously managing director of the UK company.

Mr Bradly retains his role as managing director of DataCard's UK operations while assuming responsibility for European strategy and the development of DataCard's businesses further afield.

■ WICKES has appointed Mr Bill McGrath to the board. Mr McGrath has recently assumed responsibility for the whole of the Wickes stores group, Wickes Building Stores and Wickes Continental.

■ JLI GROUP has appointed Mr Ian Bayer as finance director from September 5. For the past five years he has been finance director for First Technology.

■ Mr David May, of Berthon Boat Company, has been appointed a director of MARINA MUTUAL INSURANCE ASSOCIATION, the specialist leisure marine industry insurer.

■ Mr Martin J. Clegg (pictured) has been appointed chief executive of soft drinks manufacturer BENJAMIN SHAW & SONS. He was previously managing director of the UK operations for the US NACANCO Corporation and vice president, sales and marketing in the US and Canada.

■ Mr Kenneth J. Jones has become the first chief executive of the ENGINEERING TRAINING INDUSTRY. He is chairman of Currie & Warner and an enterprise adviser with the DTI.

■ At AIR INDIA Mr Pat Rodricks (pictured) has been appointed the new UK manager. He was made deputy commercial manager - traffic services in Bombay in August 1988.

■ Mr Rupert Hambro has been made a non-executive director of TIPHOOK. He is chairman of J O Hambro Magan & Company and chief executive of J O Hambro Group.

■ Mr Ian Burns and Mr Michael Joseph have been appointed senior directors of LLOYDS DEVELOPMENT CAPITAL. Mr Darryl Eales and Mr Nick Jolliffe become investment directors.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or –	Yield (1)	Yield (2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

MOTORS, AIRCRAFT TRADES — Contd

Components

1990 High	Low	Stock		Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels		453	.....	3.5	10.8	1.0	12.0
225	170	AirFlow Streamlines	v	173	.....	6.0	3.9	4.6	7.4
190	145	Bostrom 5p	v	175	.....	5.75	3.1	4.4	7.9
266	188	Dowty 50p	♦	197	+2	9.0	2.1	6.1	9.5
239	132	F R Group	♦	144	−1	6.37	3.2	5.9	6.9
135	55	Kwik-Fit Hldgs. 10p	♦	65	+1	2.4	1.7	4.9	16.3
174	121	Lucas Inds	♦	134	.....	†6.25	3.0	6.2	6.1
44	18½	Do. Warrants	♦	21½	−½	—	—	—	—

Garages and Distributors

1990 High	Low	Stock		Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
28	19	Alexanders 10p	v	23	.....	1.0	3.0	5.8	6.9
135	83	Appleyard 10p	♦	86	+1	7.8	2.4	12.1	4.0
110	69	Bletchley Motor 20p	v	69	−1	7.5	1.9	14.5	4.9
568	448	Caffyns 50p	♦	458	.....	11.5	0.3	3.4	—
121	98	Central Motor Auctn.	v	106xd	.....	†3.25	3.2	4.1	10.1
61	26	Cook (D.C.) Hldgs.	v	33	.....	1.0	♦	4.2	♦
89	33	Cowie (T.) 5p	♦	56	.....	4.2	1.5	10.0	7.8
95	66	Dagenham Motors 10p	v	66	.....	5.25	2.8	10.6	4.6
98	81	Davenport Vernon 10p	v	82	+1	3.5	3.6	5.7	5.7
29	16	Equity & Gen 5p		20	.....	†1.5	1.7	10.0	(7.1)
247	163	Evans Halshaw	♦	174	+5	11.25	2.4	8.6	6.4
113	85	Gates (F.G.)	♦	93	.....	2.75	1.9	3.9	17.5
161	98	Gowrings 10p	v	98	.....	5.63	1.3	7.7	11.0
167	118	Hartwell	♦	154	.....	3.6	♦	3.1	♦
81	50	Jacks Wm.	v	50	.....	2.0	1.0	5.3	25.1

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

1990 High	Low	Stock		Price	+ or −	Div Net	C'vr	Y'ld Gr's
190	103	Anglesey Mining 5p	v	105	+2	—	—	—

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	v	800	.....
Finlay Pkg 5p	v	51	.....
Holt (Jos) 25p	v	1385	.....

IRISH

Cap. 8½% Ln. 1991	£98	.....
9pc Cap Ln. 1996	£92	−¼
Fin. 13% 97/02	£109¼	.....
Arnotts	210	.....
Carrol (P.J.) v	105	.....
Hall (R. & H.)	165	.....
Helton Hldgs. v	53xd	.....
IRG	195	.....
United Drug	143	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	7
Aster (BSR)	4
BAT	62
BOC Grp	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons.	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	46½
GEC	18
Glaxo	68
Grand Met.	53
Guardian	20
GKN	33
Hanson	20
Hawker Sidd.	53
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	15
Marks & Spencer	19
Midland Bk	24
Nat West Bk	30
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RHM	30
Rank Org Ord	70
Reed Intnl	30
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property

Brit Land	32
Control Secs.	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Aviva Petlm	5
Brit Petroleum	28
Burmah Castrol	55
Conroy Petlm	10
Gaelic Res	3½
Premier	9
Shell	40
Tuskar Res	5½
Ultramar	31

Mines

Lonrho	21
RTZ	50

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbey Unit Tst Mngrs (1000)H

Brown Shipley & Co Ltd—Contd.

Brycourt Unit Tst Mgmt Ltd (1400)F

Buckmaster Mangmt Co Ltd (1200)H

Cornhill Unit Trust Mngrs Ltd (1000)F

Gartmore Fund Managers (1200)F

LAS Unit Tst Mngrs Ltd (1000)H

Mercury Fund Managers Ltd (1000)H

Newton Fund Mngrs Ltd (1200)F

Norwich Union Tst Managers (1200)H

Schroder Unit Trusts Ltd (1600)F

Mayflower Management Co Ltd (1200)F

Medical Investments Ltd (1100)F

National Provident Inv Mgrs Ltd (1400)H

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust information pages.

هكذا من الأصل

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin. 0296 394000 Dealing 0296 312156						
American Eagle	5	64 92	64 92	69 38	-1 57	1 11
Australia	5	6 498	6 498	6 951	+0076	3 04
Equity	5	144 8	144 8	155 2	+0 4	4 96
Euro Spec Sits	5	107 8	107 8	116 0		0 59
Financial	5	27.18	27.18	29.22	-0 19	2.97
Global Opps Inc	5	61.26	61 26	65 96	-0 35	0 00
Global Opps Acc	5	61.72	61.72	66 44	-0.35	0 00
Gold & Gen Inc	5	43 13	43 13	46 31	-0 61	0 86
Gold & Gen Acc	5	80 39	80 39	86 32	+1 10	0 86
Income	5	[illegible]	[illegible]	96 69	-1 14	6 41
Japan & General	5	111 8	111 8xd	120 4	-0 6	0 00
Preference Share	5	17.70	17 70xd	18 95	-0.37	13 67
UK Capital	5	79 66	79 66xd	85 52	-0 21	3 94
World Income	5	57 43	57 43xd	61 61	-3 41	5 84
Worldwide Capital	5	153.3	153 3xd	164 7	+0 8	2 67
Templeton Unit Trust Managers Ltd (1200)F						
Arnoll Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	105 24	106.15	113 53	-0 65	3.22
Global Growth Inc	6	101.12	101 99	109 08	-0 67	3 22
Global Balanced Acc	6	101 22	101 76	108.83	-1.26	4.48
Global Balanced Inc	6	96.23	96 75	103 47	+1.15	4.48
Value Tst Acc		75 77	76 96	82 32	-0 47	3 97
Value Tst Inc	6½	73 88	75 04	80 26	+0 45	3 97
Intl Pen & Chties Inc♥	2	94 33	95 04	100 67		3 60
Intl Pen & Ch'ties Acc♥	2	92 49	93.97	98 65	..	3 60
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	47 02	47 32xd	50 33	---	--
Overseas	5	40 53	40 77	43.37	---	--
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 0DH 071-493 7262						
Dealing 071-493 8545						
American Opps	5	46 53	46 53	49 63	[illegible]	[illegible]
(Accum Units)	5	47 89	47 89	51 07	+1 48	0 23

	Bid Price	Offer Price	+ or -	Yield Gross
Murray Johnstone UT Mngmt				
[illegible]				
Amer Expt Aug 29	39 4	42 9xd	---	2.44
Euro Expt Aug 29	[illegible]	52 3xd	-	2.98
Fixed Int Ex Aug 29	42 2	43.3	---	11.68
Japan Expt Aug 29	40 0	41 7	--	0 73
Managed Ex Aug 30	39 0	40 5	---	3 27
SE Asia Expt Aug 29	57 2	60 0	---	3.55
Sm Cos Expt Aug 29	32 2	33 8		5 29
UK Eqty Ex Aug 29	36.9	38 7xd	---	4.95
Phillips & Drew Fund Management Ltd				
Small Co's Aug 1	747 6	795 8	---	4 45
Do Accum	820 7	873 5	---	4 45
Int Expt Aug 30	155 1	158 0	---	2.9
UK Index Aug 1	1114	1136	-	4 5
Do Accum	1163	1185	-	4 5
Convertible Sept 3	84 29	86 68	+2.1	8.3
World ex UK Index Aug 27	650 2	659 2	----	2 19
Do Accum	650 2	659 2	-	2 19
Japan Index Aug 27	511 1	518 8	---	0 6
Do Accum	512 1	519 5	--	0.6
USA Index Aug 27	744 5	749 6	----	3 6
Do Accum	755 0	760 1	-	3 6
Europe ex UK Index Aug 27	843 13	864 1	---	2 6
Do Accum	856 4	877 4	---	2.6
Pacific ex Jap Index Aug 27	782 3	805 2	----	3 4
Do Accum	797 1	820 3	---	3 4
Managed Exempt Aug 30	92 24	93 89	-	5 08
NM Rothschild Asset Management Ltd				
NC Managed	54 4	57 9xd	+0 3	4.16
NC Property	179.5	196.5	---	-
J. Rothschild Fund Managers Ltd				
Intl Europe Accum	130 5	131 61	-13.01	2.97
Stewart Ivory & Co Ltd				

	Bid Price	Offer Price	+ or -	Yield Gross
Lifetime Assurance Co Ltd				
Bash Hse St John's Rd, Harrow HA1 2EE 081-861 5999				
Managed Security	96 7	101.8	--	-
Managed Growth	92 3	97 27	---	-
Managed Opportunity	83 9	88 44	----	-
Property	98.5	103 7	---	-
Fixed Interest	96 5	101 6	----	-
Cash	98.5	103 7	--	-
UK Equity	87 8	92 5	..	-
Intl Equity	93 5	98 5	---	-
Pension Funds				
Managed Security	98 8	104 1	----	-
Managed Growth	88 2	92 9	---	-
Managed Opportunity	78 3	82 5	--	-

	Bid Price	Offer Price	+ or -	Yield Gross
Merchant Investors Assurance Co Ltd — Contd.				
MI Gar Japan	106 7		+0 9	-
MI Gar Pacific Gwth	131 1		+2 3	-
MI Hen Spec Situations	102 2		+0 3	-
MI Hen Recovery	87 3		+0.3	-
MI Hen Financial	93 5		+0 1	-
MI Hen Inc & Growth	107 9		+0 3	-
MI Hen Inc & Assets	106 6		-0 1	-
MI Hen High Income	114 8		+0 2	-
MI Hen Extra Income	103.5		+0 1	-
MI Hen Smllr Cos Div	84 2		+0 7	-
MI Hen Pref & Gilt	87 2		+0 2	-
MI Hen Fixed Interest	98.5		+0 2	-
MI Hen Global Pr	111 2		+1 8	-

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	62.4	65.6	+0.2	−
Stock Market Mngd Fund	59.6	62.8	+0.3	−
Equity Fund	67.0	70.5	+0.3	−
International Fund	52.9	55.7	+0.3	−
European Fund	65.3	68.8	−0.4	−
North American Fund	51.7	54.4	+1.0	−
Pacific Fund	56.4	59.4	+0.6	−
Property Fund	87.0	91.6	+0.1	−
Fixed Interest Fund	51.1	53.8	+0.2	−
Index linked Sec Fund	57.3	60.4	+0.2	−
Deposit Fund	64.7	68.2	−	−
NUAM Retirement Plans				
Mixed Fund	67.6	71.1	+0.2	−
UK Ordinary Share Fd	77.2	81.3	+0.3	−
International Fund	57.5	60.6	+0.2	−
Property Fund	85.0	89.5	−	−
Fixed Interest Fund	60.5	63.7	+0.1	−
Index Linked Sec Fund	60.5	63.7	+0.2	−
Deposit Fund	74.7	78.7	+0.1	−
NUAM (MF)				
Managed Fund	881.4	927.8	+3.8	−
Equity Fund	1841.1	1938.0	+7.2	−
International Fund	139.8	147.2	+0.9	−
Property Fund	550.3	579.3	+0.2	−
Fixed Interest Fund	382.9	403.1	+1.4	−
Index Linked Sec Fund	58.4	61.5	+0.2	−
Deposit Fund	266.3	280.4	+0.2	−

Norwich Union Life Insurance Soc.

Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or −	Yield Gross
Unitised Life				
With Profits Fd	104.15	109.63	+0.09	−
Managed Fd	84.63	89.09	+0.31	−
UK Ord Share Fd	87.75	92.36	+0.28	−
International Fd	77.99	82.09	+0.51	−
European Fd	90.30	95.05	−0.57	−
North American Fd	78.42	82.55	+1.56	−
Pacific Fd	71.05	74.79	+0.67	−
Property Fd	99.87	105.13	+0.04	−
Fixed Int Fd	92.21	97.06	+0.31	−
Int'l Bond Fd	86.60	91.16	+0.08	−
Deposit Fd	104.79	110.31	+0.09	−
Unitised Pensions				
With Profits Fd	136.76	143.96	+0.18	−
Managed Fd	135.54	142.67	+0.44	−
UK Equity Fd	142.85	150.37	+0.52	−

Providence Capital Life Assc. Co Ltd – Contd.

Provident Life Assoc. Ltd

Provident Mutual Life Assc. Assn.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Providence Capital Life Ass. Co Ltd

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Hansard International Ltd

Isle of Man Assurance Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc

GUERNSEY (SIB RECOGNISED)

BBV-Hambros Asset Mngmt (Guernsey) Ltd

Cigna International Fund Mngrs (CI) Ltd

Gartmore Invest Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G Island Fund

Prolific International Mngmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

GUERNSEY (REGULATED)(**)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

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FT MANAGED FUNDS SERVICE

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)**

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)**

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)**

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm, but pound is weak

THE DOLLAR was firmer against European currencies, but slightly weaker in terms of the Japanese yen yesterday. It gained support after the failure of Mr Javier Pérez de Cuéllar, the United Nations Secretary-General, to achieve an early diplomatic solution to the Gulf crisis. This was offset by recent economic factors weighing against the US currency.

Volume of trading was limited by the closure of US markets for Labour Day, and by a general lack of market moving news from the Middle East or on the economic front.

The yen gained support from speculation that Japanese interest rates could move up yet again. Last week the Bank of Japan followed an earlier upward trend in rates by increasing its discount rate.

At the London close the dollar had climbed to DM1.5845 from DM1.5755; to FFr5.3100 from FFr5.2825; and to SFr1.3160 from SFr1.3080, but had fallen to Y143.50 from Y143.85. The dollar's index rose to 63.7 from 63.6.

Sterling remained weak, but finished towards the top of its range against the dollar and D-Mark. September has been forecast as a possible month for the pound to join the European Monetary System exchange rate mechanism, and the lack of any announcement over the week-end contributed to the currency's slide yesterday.

The downward trend began last week after sterling had touched \$1.95 and DM3.03. Dealers suggested that demand for the pound had been boosted by Britain's position as an oil exporter, but the importance of oil, which accounted for only 5.3 per cent of total UK exports in July, may have been exaggerated. This has since led to a downward correction.

Sterling started lower in London, after suffering selling in the Far East. It opened at \$1.8680 and touched a low of \$1.8655, before closing 1.95 cents lower on the day at \$1.8730. The pound also fell sharply to a low of DM2.9575, but showed some recovery to close at DM2.9675, a fall of 1½ pfennigs from Friday's finish. Sterling also declined to Y268.75 from Y272.25; to SFr2.4650 from SFr2.4750; and to FFr9.9450 from FFr9.9975. Its index fell 0.7 to 94.3.

The main economic news yesterday was an unchanged West German trade surplus of DM8.2bn in July. This was slightly below market expectations but had no impact on the D-Mark. Uncertainty about the eventual cost and likely inflationary impact of German unity kept traders wary of the currency. At the London close the D-Mark had lost ground to the yen, and was slightly lower against the French. The D-Mark fell to Y90.55 from Y91.30 and to FFr3.3510 from FFr3.3530. The Swiss franc traded quietly, easing to DM1.2040 from DM1.2045 against the D-Mark.

Lower interest rates in Milan pushed the Italian lira down in the EMS. The D-Mark rose to L743.75 from L742.00. The Spanish peseta remained at the top of the system.

£ IN NEW YORK

Aug.31	Close	Previous Close
£ Spot	1.8900-1.8910	1.8900-1.8910
1 month	1.08-1.07pm	1.08-1.07pm
3 months	3.15-3.12pm	3.15-3.12pm
12 months	10.4-10.3pm	10.4-10.3pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.3	Previous
8.30 am	94.4	95.5
9.00 am	94.2	95.4
10.00 am	94.2	95.3
11.00 am	94.3	94.9
Noon	94.4	94.9
1.00 pm	94.3	94.7
2.00 pm	94.4	94.6
3.00 pm	94.4	94.8
4.00 pm	94.4	95.0

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

	£	$
[illegible]	[illegible]	[illegible]
Korea(Sth)	1337.35 - 1398.95	710.50 - 716.10
Kuwait	N/A	N/A
Luxembourg	60.80 - 60.90	32.45 - 32.55
Malaysia	5.0295 - 5.0420	2.6870 - 2.6890
Mexico	5412.10 - 5416.90	2888.00 - 2898.00
N.Zealand	3.0400 - 3.0450	1.6230 - 1.6250
Saudi Ar	7.0215 - 7.0275	3.7500 - 3.7510
Singapore	3.3045 - 3.3125	1.7645 - 1.7665
S.Af (Cm)	4.8250 - 4.8375	2.5790 - 2.5805
S.Af (Fn)	7.2565 - 7.4010	3.8755 - 3.9525
Taiwan	51.00 - 51.10	27.25 - 27.30
U.A.E.	6.8720 - 6.8825	3.6700 - 3.6735

* Selling rate

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8655 - 1.8770	1.8725 - 1.8735	1.06-1.03cpm	6.70	3.08-3.04pm	6.53
Ireland†	1.6910 - 1.6965	1.6945 - 1.6955	0.40-0.35cpm	2.65	1.35-1.25pm	3.07
Canada	1.1510 - 1.1610	1.1525 - 1.1535	0.44-0.47cdis	-4.74	1.30-1.35dis	-4.60
Netherlands	1.7800 - 1.7880	1.7835 - 1.7845	0.05-0.07cdis	-0.40	0.22-0.25dis	-0.53
Belgium	32.45 - 32.60	32.45 - 32.55	par-6.00cdis	-1.11	5.00-13.00dis	-1.11
Denmark	6.04¾ - 6.07¼	6.05¾ - 6.06¼	1.05-1.25oredis	-2.28	3.50-4.20dis	-2.54
W. Germany	1.5780 - 1.5870	1.5840 - 1.5850	0.03-0.05pfdis	-0.30	0.16-0.19dis	-0.44
Portugal	139.65 - 140.05	139.65 - 139.75	73-93cdis	-7.13	230-270dis	-7.16
Spain	98.40 - 98.90	98.75 - 98.85	51-55cdis	-6.44	155-163dis	-6.44
Italy	1173½ - 1179	1178¼ - 1178¾	1.90-2.00liredis	-1.78	7.70-8.50dis	-2.75
Norway	6.10 - 6.12¾	6.11½ - 6.12	0.98-1.23oredis	-2.17	3.60-4.20dis	-2.55
France	5.28¾ - 5.32¼	5.30¾ - 5.31¼	0.84-0.89cdis	-1.95	3.00-3.10dis	-2.30
Sweden	5.80 - 5.82	5.80¾ - 5.81¼	2.08-2.23oredis	-4.45	6.90-7.45dis	-4.94
Japan	143.25 - 143.90	143.45 - 143.55	0.01-0.03ydis	-0.17	0.06-0.09dis	-0.21
Austria	11.12½ - 11.16¼	11.13½ - 11.14	0.20-0.55grodis	-0.40	1.35-2.35dis	-0.66
Switzerland	1.3105 - 1.3200	1.3155 - 1.3165	0.03-0.06cdis	-0.41	0.16-0.22dis	-0.58
ECU	1.3050 - 1.3095	1.3080 - 1.3090	0.20-0.19cpm	1.79	0.71-0.69pm	2.14

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8655 - 1.8770	1.8725 - 1.8735	1.06-1.03cpm	6.70	3.08-3.04pm	6.53
Canada	2.1580 - 2.1705	2.1580 - 2.1590	0.41-0.31cpm	2.00	1.17-1.02pm	2.03
Netherlands	3.33½ - 3.34¾	3.33¾ - 3.34¾	1¾-1½cpm	6.51	5¼-5¼pm	6.21
Belgium	60.65 - 61.10	60.80 - 60.90	35-22cpm	5.62	91-75pm	5.46
Denmark	11.33 - 11.38½	11.34½ - 11.35½	4½-4orepm	4.49	12¼-10¾pm	4.05
Ireland	1.1010 - 1.1100	1.1055 - 1.1065	0.38-0.33pm	3.85	1.15-1.05pm	3.94
W. Germany	2.96 - 2.97	2.96½ - 2.97	1¾-1½pfpm	6.32	4¾-4½pm	6.23
Portugal	260.75 - 263.15	260.80 - 261.80	36-5cpm	0.94	77-21pm	0.75
Spain	184.30 - 185.70	184.60 - 184.90	9-3cpm	0.39	21-11cpm	0.35
Italy	2198¼ - 2209	2206¾ - 2207¾	9¾-8½lirepm	4.96	22-20pm	3.81
Norway	11.43 - 11.48¾	11.45¾ - 11.46¾	4¾-4orepm	4.58	12¼-10⅞pm	4.04
France	9.91½ - 9.96¾	9.94 - 9.95	4-3¾cpm	4.75	10⅞-10½pm	4.30
Sweden	10.85¾ - 10.90	10.87¾ - 10.88¾	2¾-1⅞orepm	2.27	5¼-4pm	1.70
Japan	268 - 269¾	268¾ - 269¾	1¾-1¾ypm	6.42	4¾-4¼pm	6.42
Austria	20.81 - 20.90	20.81 - 20.84	11⅞-11gropm	6.59	33¾-31pm	6.16
Switzerland	2.46 - 2.47¼	2.46 - 2.47	1¾-1¼cpm	6.39	3¾-3½pm	5.98
ECU	1.4285 - 1.4330	1.4300 - 1.4310	0.60-0.57cpm	4.91	1.65-1.60pm	4.54

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.85-5.78cpm. 12 Month 10.20-10.05pm.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep.3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.3848	+0.51	+0.07	±1.5508
Danish Krone	7.79845	7.89936	+1.29	+0.85	±1.6453
German D-Mark	2.04446	2.06356	+0.93	+0.49	±1.1762
French Franc	6.85684	6.91935	+0.91	+0.47	±1.3618
Dutch Guilder	2.30358	2.32507	+0.93	+0.49	±1.5272
Irish Punt	0.763159	0.768979	+0.76	+0.32	±1.6689
Italian Lira	1529.70	1535.07	+0.35	-0.09	±1.5162
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Sep 3	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										
F Fr.	1.006	1.883	2.984	270.3	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.406	0.760	1.204	109.0	4.034	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.299	0.560	0.888	80.41	2.975	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.453	0.849	1.345	121.8	4.506	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.463	0.868	1.375	124.5	4.606	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.643	3.078	4.878	441.7	16.34	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open int
September	1655.0	1634.0	-41.0	1660.0	1632.0	9,493
October	1662.0	1649.0	-31.0	1662.0	1649.0	121
November	1665.0	1665.0	-	1665.0	1666.0	0
December	-	-	-	-	-	51

Estimated volume 5,453 Total Open Interest 9,665

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	Nat Westminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc	16½	● Smith & Williamson Secs	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bk	15	Westpac Bank Corp	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm.Bk.of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

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MONEY MARKETS

A slight easing

THERE WAS a slight easing of interest rates in London yesterday, despite a further weakening of sterling on the foreign exchanges.

In quiet trading three-month interbank declined to 14⅞-14¾ per cent from 15-14⅞, while 12-month money was quoted at 14⅛-14⅞ per cent against 14⅝-14⅞.

Short sterling futures weakened in subdued trading on Liffe. December delivery opened at 85.86 and touched a low of 85.79, before closing at 85.81 compared with 85.89 on Friday.

The Bank of England initially forecast a day-to-day credit shortage of £600m on the money market, but revised this to £650m at noon. Total help of £594m was provided.

Before lunch the authorities bought £122m bills outright, by way of £8m bank bills in band 1 at 14⅞ per cent and £114m bank bills in band 2 at 14¾ per cent. In the afternoon another £182m bills were purchased, via £40m bank bills in band 1 at 14⅞ per cent and £142m bank bills in band 2 at 14¾ per cent. Late assistance of around £290m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,076m, with the unwinding to repurchase agreements on bills absorbing £822m, and bank balances below target £50m. These outweighed Exchequer transactions adding £785m to liquidity and a fall in the note circulation of £585m.

In Paris the Bank of France left its money market intervention rate at 9¼ per cent when injecting liquidity at a securities repurchase tender. The five to 10-day repurchase rate was unchanged at 10¼ per cent. The central bank accepted bids of FFr58.4bn at the tender, against an expiring pact of FFr54.7bn.

In Amsterdam the Dutch Central Bank drained money from the banking system when allocating Fl 1.43bn in nine-day special advances, partly offsetting an expiring three-day pact of Fl 3.24bn. Funds were supplied at an unchanged rate of 8 per cent.

In Frankfurt call money was unchanged at 8.05 per cent, remaining above the Lombard emergency financing rate of 8 per cent. The market is nervous of a rise in the Bundesbank's lending rates to stem rising inflationary pressure. On Thursday the Bundesbank council meets, but dealers are not expecting a decision to raise rates.

UK clearing bank base lending rate 15 per cent from October 5, 1989

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

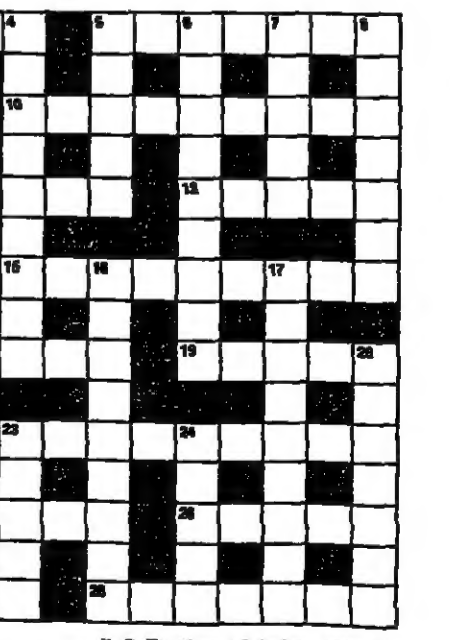
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,332 Set by QUARK



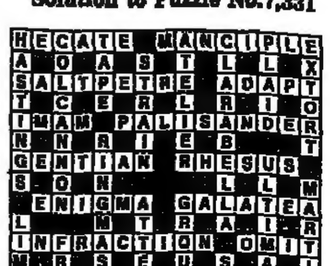
ACROSS

1 It's always sharp but can be shaken (7)
5 Brook's bird? (7)
9 A novelist to study, we hear (5)
10 As sheet-worker I go on the attack (9)
11 Fashionable although bound to be wet (2,3,4)
12 Arsenic layer is rather grey (5)
13 Give view round tree (5)
15 To raise collection get change in position (9)
18 Dress gone – taken to the cleaners, lost? (9)
19 Sequence seen on the road (5)
21 I, fool, getting torn paper (5)
23 Stop, pal – the game is up! (9)
25 Indicative of the firm that's shaky? (9)
26 Looks in, it is said, for an award (5)
27 Compiler going back on transactions in river? That's outrageous (7)
28 Petition in town centre attracts many (7)

DOWN

1 Got in trouble with river endlessly whirling (7)
2 Narrow escape? Close it! (4,5)
3 Iceberg sticking up, partly revealing bird (5)
4 Traffic hold-up on the way to the factory? (9)
5 Collection of twigs seen in clearing (5)
6 Might be encountered in The Old Curiosity Shop (4-1-4)
7 Scattered shale can be bind (5)
8 Train followers (7)
14 Try to keep balance dancing on some ice (9)
16 One who's likely to get lines (9)
17 The city pitch is among a number providing fruit (9)
18 Emphasise in French warning about end of EEC (7)
20 Heater wire could be iron (7)
22 Allowed in certain public items (5)
23 Invent one away in an island (5)
24 Not working? Take up subject to change (not English) (5)

Solution to Puzzle No.7,331



WORLD STOCK MARKETS

AUSTRIA — September 3 — Sch. — + or −

[illegible]

BELGIUM/LUXEMBOURG — September 3 — Frs. — + or −

[illegible]

DENMARK — September 3 — Kr — + or −

[illegible]

FINLAND — September 3 — Mks — + or −

[illegible]

FRANCE — September 3 — Frs. — + or −

[illegible]

FRANCE (continued) — September 3 — Frs. — + or −

[illegible]

GERMANY — September 3 — Dm. — + or −

[illegible]

GERMANY (continued) — September 3 — Dm. — + or −

[illegible]

ITALY — September 3 — Lire — + or −

[illegible]

ITALY (continued) — September 3 — Lire — + or −

[illegible]

NETHERLANDS — September 3 — Fls. — + or −

[illegible]

NORWAY — September 3 — Kroner — + or −

[illegible]

SPAIN — September 3 — Pts. — + or −

[illegible]

SWEDEN — September 3 — Kroner — + or −

[illegible]

SWITZERLAND — September 3 — Frs. — + or −

[illegible]

SOUTH AFRICA — September 3 — Rand — + or −

[illegible]

AUSTRALIA — September 3 — Aust.$ — + or −

[illegible]

AUSTRALIA (continued) — September 3 — Aust.$ — + or −

[illegible]

HONG KONG — September 3 — H.K.$ — + or −

[illegible]

MALAYSIA — September 3 — MYR — + or −

[illegible]

SINGAPORE — September 3 — S$ — + or −

[illegible]

JAPAN — September 3 — Yen — + or −

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible] Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

INDICES

NEW YORK DOW JONES

	Aug. 31	Aug. 30	Aug. 29	Aug. 28	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2614.36	2593.32	2632.43	2614.85	2999.75 (16/7)	2483.42 (23/8)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.11	89.25	89.22	89.30	93.04 (3/1)	83.48 (2/5)	—	—
Transport	901.44	901.26	911.15	899.82	1212.77 (6/6)	861.31 (23/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	195.93	193.72	195.61	193.60	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2624.50 (2641.34) Low 2569.32 (2578.47)

STANDARD AND POOR'S

	Aug. 31	Aug. 30	Aug. 29	Aug. 28	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	322.56	318.71	324.19	321.34	368.95 (16/7)	307.06 (23/8)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	382.05	377.71	384.47	381.58	437.37 (16/7)	362.23 (23/8)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	24.00	23.63	24.01	23.79	31.87 (3/1)	22.87 (23/8)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	176.97	175.23	177.78	176.26	201.13 (16/7)	168.88 (23/8)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	323.39	322.91	324.23	321.79	382.45 (5/1)	315.85 (23/8)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	381.21	378.68	381.78	382.86	469.60 (16/7)	360.22 (23/8)	485.73 (9/10/89)	54.87 (31/10/72)

	Aug 24	Aug 17	Aug 10	year ago (approx.)
Dow Industrial Div. Yield	4.29	4.10	3.98	3.39

	Aug 29	Aug 22	Aug 15	year ago (approx.)
S & P Industrial div. yield	3.24	3.34	3.11	2.75
S & P Indl. P/E ratio	15.47	14.96	16.07	14.31

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Ohio Edison	2,757,400	16⅞	+ ⅛
Bash New Eng.	2,640,300	2⅛	+ ⅛
Gen. Motors	1,226,600	39¾	+ ½
Wal-Mart	1,150,900	28½	+ ¼
Toys R Us	1,039,500	25¾	− ⅛
Philip Morris	1,029,400	45⅛	+ ⅜
Am. Express	971,700	24⅛	+ ⅛
IBM	885,400	101⅞	+ ⅜
Global Marine	873,100	6	+ ½
Gen. Electric	870,900	62	+ ¼

TRADING ACTIVITY

† Volume (Millions)	Aug. 31	Aug. 30	Aug. 29
New York	96.480	120.890	134.240
Amex	6.697	7.312	11.557
NASDAQ	79.251	106.302	118.069
Issues Traded	1,939	1,969	1,975
Rises	890	467	971
Falls	572	995	512
Unchanged	477	507	492
New Highs	2	4	4
New Lows	91	67	46

CANADA TORONTO

	Aug. 31	Aug. 30	Aug. 29	Aug. 28	1990 HIGH	1990 LOW
Metals & Minerals	3046.71	3027.32	3020.76	3031.20	3453.05 (4/1)	2850.50 (23/4)
Composite	3346.25	3329.83	3339.72	3354.20	4009.47 (3/1)	3329.83 (30/8)
MONTREAL Portfolio	1756.54	1743.01	1752.42	1758.70	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sept. 3	Aug. 31	Aug. 30	Aug. 29	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1504.3	1507.6	1504.0	1496.8	1713.7 (12/2)	1434.5 (30/4)
All Mining (1/1/80)	738.7	741.2	737.8	725.0	850.8 (5/1)	711.7 (2/7)
AUSTRIA						
Credit Aktien (30/12/84)	551.53	540.44	550.61	538.35	703.29 (19/2)	464.55 (25/8)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5560.91	5609.12	5624.88	5606.15	6599.43 (12/1)	5243.52 (23/8)
DENMARK						
Copenhagen SE (3/1/83)	361.51	360.18	358.53	356.84	383.29 (20/7)	347.69 (23/8)
FINLAND						
Unitas General (1975)	512.8	516.5	516.9	513.5	677.3 (23/1)	512.8 (3/9)
FRANCE						
CAC General (31/12/82)	455.65	464.43	464.86	458.09	564.62 (30/5)	417.98 (22/8)
CAC 40 (31/12/87)	1644.01	1690.17	1723.23	1699.66	2129.32 (20/4)	1546.51 (21/8)
GERMANY						
FAZ Aktien (31/12/58)	691.53	693.31	703.00	691.50	830.32 (19/7)	655.37 (23/8)
Commerzbank (1/12/53)	1984.6	1987.7	2017.2	1984.7	2414.0 (3/4)	1875.4 (23/8)
DAX (30/12/87)	1629.22	1629.51	1638.95	1637.66	1968.55 (30/3)	1520.34 (23/8)
HONG KONG						
Hang Seng Bank (31/7/64)	3056.81	3087.50	3064.19	3015.99	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1312.97	1323.27	1333.88	1333.09	1893.10 (22/1)	1278.96 (23/8)
ITALY						
Banca Com. Ital. (1972)	614.48	626.88	628.57	617.64	763.52 (14/6)	584.27 (24/8)
JAPAN						
Nikkei (16/5/49)	25420.43	25978.37	25669.96	24894.79	38712.88 (4/1)	23737.63 (23/8)
Tokyo SE (Topix) (4/1/68)	1945.92	1973.97	1956.02	1911.42	2867.70 (4/1)	1829.25 (23/8)
2nd Section (4/1/68)	3821.84	3850.46	3770.84	3687.37	4477.16 (16/7)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	550.74	(c)	540.85	530.34	632.22 (1/8)	490.77 (23/3)
NETHERLANDS						
CBS Tot Rtn Gen (End 1983)	243.7	242.1	243.6	243.2	271.9 (20/7)	236.7 (23/8)
CBS All Shr (End 1983)	180.9	179.7	180.9	180.7	206.3 (3/1)	176.1 (24/8)
NORWAY						
Oslo SE Ind. (2/1/83)	864.63	866.45	861.89	856.85	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	748.16	750.27	740.50	742.48	1160.70 (21/3)	683.58 (23/8)
SINGAPORE						
SES All-Singapore (2/4/75)	353.35	368.53	353.26	344.03	446.87 (16/7)	321.66 (23/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	1685.0	1674.0	1689.0	1640.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2899.0	2901.0	2930.0	2860.0	3211.0 (6/2)	2738.0 (24/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	635.37	606.87	626.85	647.77	928.82 (4/1)	587.33 (25/8)
SPAIN						
Madrid SE (30/12/85)	254.72	257.72	257.27	253.74	309.74 (16/7)	234.79 (23/8)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1153.9	1159.6	1166.20	1159.80	1329.9 (5/7)	1086.4 (23/8)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	697.1	699.2	699.1	692.5	845.5 (13/7)	656.4 (22/8)
TAIWAN**						
Weighted Price (30/6/66)	3574.99	3425.28	(c)	3405.21	12495.34 (10/2)	3135.56 (24/8)
THAILAND						
Bangkok SET (30/4/75)	901.54	862.75	839.80	834.97	1143.78 (25/7)	695.81 (24/8)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	474.1	472.6	471.6	571.8 (4/1)	448.3 (24/8)

**Saturday August 25: Taiwan Weighted Price: 3164.61. Korea Comp Ex. 587.38

‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks
Monday 3 September 1990

	Stocks Traded	Closing Prices	Change on day
Ube Industries	22.7m	787	+25
Kurabo	20.6m	1,820	-80
Fuji Heavy Ind	16.3m	847	-29
Nippon LI MB	10.2m	1,290	-50
Showa Line	9.6m	1,020	0
Nippon Steel	9.3m	495	-6
Japan MtI&Chms	8.2m	1,940	-160
Osaka Gas	6.0m	510	-22
Godo Steel	5.5m	2,270	+70
Hitachi	5.4m	1,320	-30

August ends on positive note – but strategists see grim times ahead

William Cochrane and Jacqueline Moore report on how the Gulf crisis has affected markets so far, and how it has altered prospects

THE SIGNS that investors had regained their buying nerve just over a week ago became stronger last week, as most markets finished the month on a positive note. The World Index gained 4.7 per cent in local currency terms, reducing its loss during August to 9.9 per cent.

Last week's best gains were by markets that had fallen more sharply than most. Austria recovered 12 per cent last week, to end 19.4 per cent lower on the month as a whole in local currency terms – the world's worst decline.

Last month's fall has to be put in perspective, however. By the end of July, Austria had soared by 47 per cent this year on hopes of benefits from eastern Europe; even after the recent declines, the market has risen 17.9 per cent in 1990.

The eastern connection lies behind not only Austria's earlier advance, but also its recent demise, according to Mr Andrew Thomson of Kleinwort Benson. "Austria is one of the markets most geared to eastern Europe, so the panic about the eastern European economies because of the higher oil price has fed through to Austria as well," he says.

Europe's second best performer last week was Spain, which reduced its monthly retreat to 11.4 per cent. Spain managed to finish August in better shape than West Germany and France, down 15.7 and 13.7 per cent respectively.

The Spanish Government's recent upward revision in its year-end inflation target, which it blamed on higher oil prices, is unlikely to affect the market, says Mr Stephen Hughes of Nikko Securities, because it would not have met the earlier target anyway.

One of the week's smallest gains was by Ireland, which finished last month only slightly better than Austria, with a loss of 19 per cent. A downgrading in earnings estimates, and a possible economic deterioration because of the Gulf crisis, do not make for a bullish scenario, says Citicorp Investment Bank.

Moreover, the news that the Goodman Group of food companies, owned by businessman Mr Larry Goodman, is in financial difficulties "has serious implications both for the Irish economy and the Irish stock market," says Citicorp.

Some markets – Norway, Canada, South Africa, Australia and Mexico – had a relatively gentle ride in August, all of them oil exporters or other resource producers.

During the Gulf crisis, it has been very difficult to push major changes in portfolio management, says Mr David Roche, international strategist at Morgan Stanley in London.

"If investment managers don't have cash, they are unwilling to sell at these levels," he says; "If they have the cash, they won't invest."

Mr Roche does not find this a problem, on an intellectual level. He was a bear of European equity markets before the crisis began; now, he cannot see a diplomatic solution, believes Clausewitz's tenet that the failure of diplomacy is war, and says that, even without war, economic expectations of lower interest rates and higher profits have been reversed.

"Management is seeing costs rise faster than income," he observes, noting the recent lower-than-expected results from carmakers, such as Volvo, Daimler and Volkswagen, ICI and the three West German chemical majors. "Capacity utilisation has filled up, productivity gains have disappeared and margins are getting squeezed."

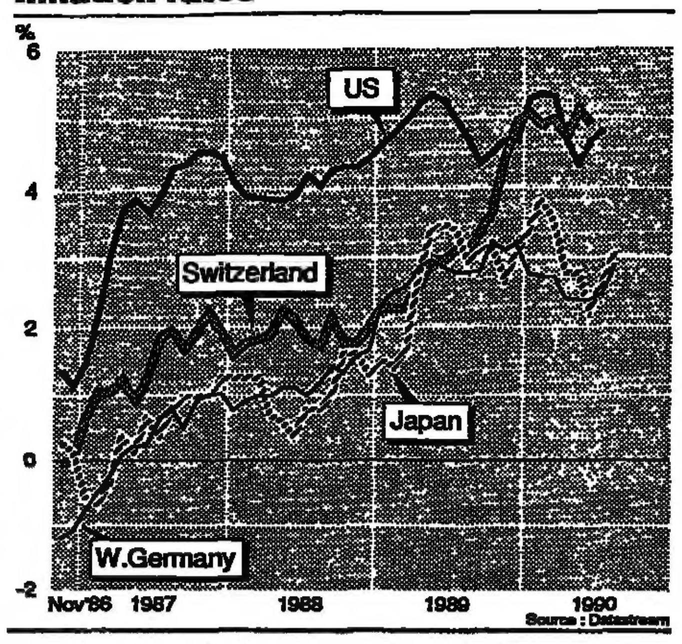
Mr Roche says that corporate profits growth in Europe peaked two years ago, that it will be only 4 to 5 per cent in 1990, and nil next year allowing for the present, measurable effects of the oil crisis.

Mr Roche's concerns are echoed elsewhere. Mr Warren Oliver of UBS Phillips & Drew has been looking at leading economic indicators for the EC which, in line with Mr Roche's comments on corporate growth rates, show a flattening out of economic growth during in 1988. "In the first half of 1990," he notes, "there may even be a downward trend emerging."

He adds: "Any downturn in the composite leading indicator for the EC should not be taken to mean that full-blown recession is inevitable. However, the message of the leading indicators, amplified by the oil 'shockette', is that slowing growth in western Europe may well be the rule rather than the exception."

At Smith New Court, the message is uncompromising. It foresees a global bear market and tells investors to sell Japan – "valuations remain extremely unfavourable" – and continental Europe, where "a long period of severe underperformance is anticipated."

Inflation rates



MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	+12.04	−15.71	+24.76	+17.93	+ 8.32	+27.13
Belgium	+5.77	− 9.08	−15.05	−15.97	−21.20	− 7.52
Denmark	+3.57	− 7.31	+ 4.24	− 2.60	− 9.11	+ 6.68
Finland	+1.94	−12.30	−23.79	−15.79	−21.39	− 7.73
France	+3.70	− 9.87	−12.80	−17.37	−22.90	− 9.51
W. Germany	+5.43	−12.90	+ 2.83	− 7.53	−15.40	− 0.71
Ireland	+1.40	−16.13	−21.03	−23.64	−28.71	−16.33
Italy	+6.82	−10.68	−19.79	−13.48	−20.02	− 8.14
Netherlands	+1.95	− 7.27	−13.27	−12.44	−19.68	− 5.73
Norway	+3.75	− 4.61	+20.26	+21.00	+11.60	+30.98
Spain	+8.36	− 6.80	−20.23	−13.10	−17.46	− 3.18
Sweden	+4.90	−13.74	− 5.51	− 2.69	−11.25	+ 4.17
Switzerland	+4.12	− 9.68	−17.38	−12.84	−12.43	+ 2.77
UK	+3.36	− 6.11	−11.57	−12.01	−12.01	+ 3.27
EUROPE	+4.25	− 8.63	−10.61	−11.73	−15.42	− 0.73
Australia	+3.04	− 6.26	−12.64	− 7.72	−18.10	− 5.65
Hong Kong	+5.65	− 9.26	+19.66	+ 7.28	− 8.09	+ 7.88
Japan	+6.56	− 8.18	−27.80	−33.76	−43.58	−33.78
Malaysia	+9.41	−11.61	+14.85	− 5.99	−19.58	− 5.62
New Zealand	+7.21	− 8.43	−29.90	−15.05	−25.14	−12.14
Singapore	+8.99	−14.48	− 4.56	− 7.69	−15.28	− 0.58
Canada	−0.32	− 3.92	−13.91	−12.38	−25.12	−12.12
USA	+3.66	− 6.37	− 8.90	− 9.00	−22.47	− 9.00
Mexico	+8.77	− 5.96	+102.48	+70.27	+35.06	+58.52
South Africa	+2.20	− 6.99	+10.56	+ 0.39	−22.03	− 8.49
WORLD INDEX	+4.70	− 7.58	−16.33	−19.51	−29.51	−17.28

† Based on August 31st 1990.

ASIA PACIFIC

Nikkei falls on worries about oil and speculators

Tokyo

A DAY of mostly cautious trading ended on a negative note yesterday as forecasts of higher oil prices and a variety of rumours about speculative issues jarred the market in later trading, *writes Michiyo Nakamoto in Tokyo.*

Following a gain of more than 1,000 points in the previous two sessions, the market became hesitant and investors took profits when negative news emerged in the afternoon.

The Nikkei average opened the day on an uptrend, buoyed by a stronger yen and higher bond prices, but lost its momentum by midday. It then came under selling pressure towards the close and finished with a 557.94 decline at 25,420.23.

The index saw a high of 26,163.49 and a low of 25,417.36 in uninspired trading. Declines led advances by 607 to 346 and 149 issues were unchanged. Volume was weak at 360m shares, down significantly from the 600m on Friday.

The Topix index of all listed stocks lost 28.05 to 1,945.92 and, in London, the ISE/Nikkei 50 index fell 1.95 to 1,455.89.

The market was depressed by reports that Abu Dhabi had notified Japanese importers of an oil price increase, and that Saudi Arabia would raise the price of its liquefied petroleum gas.

In addition, several rumours spread about speculative groups which have supported the recent recovery in equities. A newspaper article suggested that politicians may be involved in trading in Honshu Paper, which has seen a spectacular gain on talk that a well known speculative group was actively buying shares. The article also indicated that securities firms had been largely responsible for the rapid rise in Honshu.

Separately, there was talk that Honshu had been subject to false buy orders, placed in order to push the price up. In addition there were rumours that the tax authorities would investigate several speculative groups in connection with their recent activities.

Investors, who had been eagerly buying speculative stocks, were unnerved by the talk, said Mr Shin Tokoi at County NatWest. Honshu Paper took a maximum one-day loss of Y500 to Y4,380.

Kurabo, another popular speculation, dropped Y80 to Y1,820 and was second in volume with 20.6m shares. Japan Metals and Chemicals, which had also attracted speculative buying, lost Y160 to Y1,940 in active trading.

Issues supported by strong fundamentals and growth prospects were firm. Godo Steel continued to appeal to investors after its announcement last week that it would take over a smaller electric furnace maker. It climbed Y70 to Y2,270.

Ube Industries, which has risen for seven days running, remained popular on expectations that the move towards lighter cars would increase demand for its magnesium. Buying in Ube was so active that the Stock Exchange had temporarily to stop trading in the issue. Ube, which topped the actives list with 22.7m shares, rose Y25 to Y787.

Osaka saw quiet trading take the Ose index 140.93 lower to 29,955.59. Volume fell to 37m shares from Friday's 81m.

Roundup

MARKETS with overt government support made most of the running in the Pacific Basin yesterday – both on the upward tack, and on the downside.

SEOUL had bigger politics in mind than domestic fiscal policies. The composite index closed at 635.37, up 26.36 or 4.3 per cent, following a slight improvement on Saturday, on high expectations for talks between South and North Korea this week.

The Commercial Bank of Korea was the most active stock with 373,340 shares changing hands, rising Won400 to Won9,600 in the process. Meanwhile, the inter-Korean, prime ministerial talks which begin today seemed yesterday to have been more of an inspiration to brokers than to investors: overall market volume stayed low at Won102.6bn.

TAIWAN fell 5.1 per cent on profit-taking after last week's rebound of nearly 19 per cent, the weighted index falling 193.22, after Saturday's rise of 132.83, to 3,574.89. Volume eased from T$38.9bn to T$36.2bn.

The paper, construction and textile sectors registered the steepest declines, each falling by more than 6 per cent. Plastics, the market leader in recent days, dropped soon after the opening. Dealers were disappointed by the Government's failure to announce a date for the construction of a fifth naphtha cracking plant.

BANGKOK was bullish again, with trade centred on a selection of finance companies and the food sector. Many issues hit their 10 per cent rise ceiling as the SET rose 38.79, or 5.9 per cent, to 901.54.

HONG KONG watched Tokyo fall and edged lower in sluggish trading. The Hang Seng index lost 20.69 to 3,066.81 in turnover of HK$778m, down from HK$978m.

One of the biggest losers was Swire Pacific, which saw its A shares drop 40 cents to HK$16.60 after Friday's disappointing first-half earnings.

AUSTRALIA eased, with the All Ordinaries index falling 3.3 to 1,504.3 in light volume, as most stocks moved to computerised trading. Among companies reporting results, Amcor, the paper and packaging group, rose 3 cents to A$4.16.

SINGAPORE also slipped in quiet trading, as the Straits Times Industrial index fell 12.27 to 1,265.60. Volume declined to to 52m shares from Friday's 67m. KUALA LUMPUR, however, gained ground, with bargain-hunters lifting the composite index 9.89 to 550.74. Sime Darby rose 16 cents to M$4.30 after announcing higher group net earnings.

BOMBAY rose to a record high in spite of curbs on trading announced by the governing board of the BSE. The BSE index rose 13.24 to 1,260.77.

Under the new rules, outstanding positions in leading shares cannot be increased, while daily margins of up to 40 per cent have to be paid on other shares. There are further curbs on stocks regarded as volatile.

EUROPE

Most bourses close lower in light trading

NERVOUSNESS about the outlook for the Middle East sent most bourses lower yesterday, while Wall Street's closure kept trading light, *writes Our Markets Staff.*

PARIS fell sharply in thin trading, although some blue chips were fairly lively. The CAC 40 index dropped 46.16 or 2.7 per cent to 1,644.01 in turnover estimated at FFr1.8bn, after Friday's FFr2.9bn – a figure that had been boosted by a block worth about FFr650m in Navigation Mixte.

French investors took a dim view of the Middle East crisis on their return from their summer holidays. The news that Iraq had refused to allow an Air France jet to pick up hostages, together with French newspaper reports that the situation in the Gulf was explosive, unnerved the market.

Sentiment was also hit by Tokyo's overnight fall in late trading, and by the absence of guidance from Wall Street.

Among badly hit blue chips, CGE lost FFr15 to FFr538, Peugeot dropped FFr23 to FFr547 and Lafarge Coppée fell FFr13.50 to FFr361.50.

One of the day's few winners was Elf Gabon, the oil stock, which has soared ahead during the current oil price uncertainty. It jumped FFr126 or 7.3 per cent to FFr1,842.

MILAN ended broadly lower, with Olivetti diving by more than 5 per cent on market talk of depressing first-half results. Apart from direct fears about the possibility of an outbreak of hostilities in the Gulf, there were expectations of a severe austerity budget for 1991 in the wake of higher oil prices.

Turnover was low, possibly below last Friday's L126bn. The Comit index fell 12.4 or 2 per cent to 614.48. Olivetti was fixed at L4,360, down L240 in thin trading, and moved L30 lower than that later on.

Insurance stocks took losses on rumours that the Government was considering a new real estate tax. Generali fell to L37,910 at its fixing, down L590, before slipping further to L37,450 after hours, and La Fondiaria shed L1,500 to L47,000.

FRANKFURT was lifeless, the DAX index moving a mere 0.29 lower to close at 1,629.22 after an 11.47-point fall to 691.53 in the FAZ at mid-session. Volume became extremely thin at DM2.6bn, down from DM4.2bn on Friday. Dealers said the US Labor Day holiday had kept many investors on the sidelines.

US and Canadian markets were closed yesterday for the Labor Day holiday

The market was not pleased by the announcement from Continental, the tyremaker, that group pre-tax profits fell 39 per cent in the first half of 1990. Continental, the subject of continuing speculation about a possible bid from Michelin, or some other suitor, closed DM4 lower at DM300.

West German bond prices dipped. The Bundesbank's average bond yield rose another two basis points to 9.09 per cent after the Bonn Government added DM2.5bn to its 8¾ per cent Unity Fund issue, priced at 99.20 to yield 8.88 per cent.

In the chemical sector, Hoechst delayed its interim report until today. Meanwhile Bayer, the first of the big three chemical groups to report, announced a drop in half-time profits of only 5 per cent, and rose DM5 to DM247.

Two other advancing stocks, unusual in the context of general falls in steels and engineerings, were Preussag and Metallgesellschaft; shares in these two companies, up DM10.20 at DM346 and DM3.90 at DM569.90 respectively, replaced Nixdorf and Feldmühle Nobel yesterday as components of the DAX index.

AMSTERDAM finished lower in light trading, with the CBS tendency index down 0.7 at 101.6. Investors were reluctant to take action because of the closure of Wall Street.

Royal Dutch, the oil group, gained Fl 3.20 to Fl 144 after a rise in the dollar, while Heineken, the brewer, which is due to report half-year results on Friday, lost 70 cents to Fl 116.50.

MADRID was worried about prospects in the Gulf and by a rise in petrol prices, and the general index fell 3.00 to 254.72, while ZURICH also had a lacklustre session, with share prices declining in modest volumes. The Crédit Suisse index eased 2.0 to 555.1.

STOCKHOLM fell in very slow trade, with most investors sidelined because of renewed uncertainty over the Middle Eastern situation. The Affärsvärlden General index fell 5.7 to 1,153.9 in turnover of SKr148m. Skandia free shares fell SKr9 to SKr161 on Friday's slump in the insurance and property group's profits; Astra free A shares defied the trend and gained SKr5 to SKr525 before tomorrow's half-year results, for which analysts have predicted a 27 per cent increase in profits.

BRUSSELS was worried by the lack of progress in the Gulf, and the cash market index lost 47.21 to 5,560.91. Petrofina, the oil company, fell BFr100 to BFr10,875.

VIENNA fell back after last week's gains in quiet trading. The bourse index dropped 23.23 or 3.8 per cent to 581.53.

A few bourses defied the trend: COPENHAGEN's bourse index added 1.33 to 361.51; ATHENS bounced 1.3 per cent, with the general index up 17.79 at 1,397.05; and ISTANBUL rose 33.70 to 4,972.93 in turnover of TL77.7bn, up from Friday's TL52.9bn.

SOUTH AFRICA

A VERY quiet session in Johannesburg left shares little changed yesterday, as Gulf worries continued and the closure of Wall Street kept investors away. The overall index edged up 9 to 3,002, with De Beers R1.50 higher at R81.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 3 1990								FRIDAY AUGUST 31 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	144.27	+0.4	114.19	130.86	118.85	117.88	+0.3	6.25	143.73	112.60	130.69	117.73	117.58	158.31	125.85	154.24
Austria (19)	221.56	−4.3	176.38	200.98	182.52	182.21	−3.4	1.59	231.63	181.46	210.63	189.73	188.61	285.63	193.15	145.70
Belgium (61)	141.20	−1.3	111.77	128.07	116.32	113.17	−0.8	5.12	143.04	112.06	130.06	117.16	114.11	160.02	132.11	131.99
Canada (119)	133.97	+0.2	106.05	121.52	110.35	111.85	+0.0	3.63	133.74	104.77	121.60	109.54	111.85	153.61	130.37	152.17
Denmark (33)	257.68	−0.3	203.97	233.75	212.27	212.38	+0.6	1.40	258.39	202.43	234.98	211.65	211.13	277.82	238.69	194.59
Finland (26)	121.55	−1.2	96.21	110.26	100.13	94.91	−0.3	2.89	122.99	96.35	111.84	100.74	95.23	152.29	121.53	131.89
France (123)	137.25	−2.8	108.64	124.49	113.06	114.32	−2.3	3.58	141.19	110.61	128.38	115.64	117.00	168.85	133.16	130.28
West Germany (92)	121.97	−0.7	96.55	110.65	100.48	100.48	−0.1	2.24	122.84	96.23	111.71	100.61	100.61	144.63	117.75	97.18
Hong Kong (48)	125.45	−0.7	99.30	113.79	103.35	125.06	−0.7	5.19	126.36	98.99	114.90	103.51	125.92	147.49	112.24	107.07
Ireland (17)	150.50	−0.9	119.13	136.52	123.98	125.11	−0.5	3.47	151.89	118.99	138.11	124.41	125.74	198.57	148.81	153.59
Italy (96)	89.66	−3.0	70.97	81.32	73.86	78.91	−2.2	2.99	92.39	72.38	84.00	75.67	80.66	109.26	87.35	94.39
Japan (454)	128.92	−1.4	102.05	116.94	106.21	116.94	−1.6	0.72	130.71	102.40	118.86	107.06	118.86	197.26	118.66	179.31
Malaysia (35)	221.30	+2.4	175.17	200.73	182.30	229.10	+2.4	2.58	216.17	169.35	196.55	177.06	223.79	250.89	195.23	191.40
Mexico (13)	521.18	+1.0	412.54	472.76	429.34	1648.52	+1.1	0.91	515.92	404.17	469.13	422.59	1629.92	561.41	324.53	292.08
Netherland (42)	135.99	+0.3	107.64	123.35	112.03	110.73	+0.8	5.15	135.65	106.26	123.34	111.11	109.89	149.03	130.43	123.83
New Zealand (17)	62.93	−0.7	49.81	57.08	51.84	54.27	−0.9	6.59	63.34	49.62	57.60	51.89	54.74	75.36	59.57	88.18
Norway (23)	262.77	+0.4	207.99	238.36	216.47	218.18	+0.8	1.46	261.76	205.06	238.02	214.41	216.46	276.79	202.34	183.60
Singapore (25)	174.77	−0.8	138.34	158.53	143.97	142.19	−0.7	2.94	176.19	138.03	160.21	144.32	143.23	209.24	156.96	165.52
South Africa (60)	180.20	+0.2	142.64	163.45	148.44	154.16	+1.0	3.73	179.84	140.89	163.52	147.30	152.66	251.39	170.00	153.18
Spain (42)	155.05	−1.9	122.73	140.64	127.72	116.05	−1.2	4.73	157.97	123.76	143.65	129.40	117.46	182.25	132.84	159.48
Sweden (34)	198.08	−1.0	156.79	179.68	163.17	170.37	−0.6	2.36	200.05	156.72	181.91	163.86	171.32	234.93	173.89	179.47
Switzerland (68)	95.97	−0.7	75.96	87.08	79.07	78.30	−0.1	2.65	96.68	75.74	87.91	79.20	78.40	109.77	88.75	89.75
United Kingdom (301)	162.42	−0.9	128.56	147.31	133.78	128.56	+0.1	5.35	163.89	128.39	149.01	134.23	128.39	176.18	139.87	154.24
USA (537)	130.17	+0.0	103.03	118.08	107.23	130.17	+0.0	3.78	130.17	101.97	118.37	106.62	130.17	148.95	123.62	143.84
Europe (977)	139.63	−1.2	110.53	126.66	115.03	112.78	−0.4	4.09	141.34	110.73	128.52	115.78	113.28	157.65	135.57	128.98
Nordic (116)	199.91	−0.5	158.24	181.33	164.68	161.48	+0.1	1.88	200.98	157.45	182.75	164.62	161.35	223.29	185.01	165.78
Pacific Basin (659)	129.29	−1.3	102.34	117.28	106.51	117.07	−1.5	1.11	130.95	102.59	119.08	107.26	118.84	192.75	119.53	175.77
Euro – Pacific (1636)	133.85	−1.2	105.95	121.40	110.26	116.02	−1.0	2.38	135.53	106.18	123.23	111.01	117.24	174.18	127.11	157.19
North America (656)	130.31	+0.0	103.15	118.21	107.36	128.99	+0.0	3.77	130.29	102.07	118.49	106.74	128.99	148.43	124.33	144.24
Europe Ex. UK (676)	124.98	−1.4	98.93	113.39	102.98	103.17	−0.8	3.22	126.79	99.33	115.31	103.87	104.05	145.62	121.42	112.99
Pacific Ex. Japan (205)	132.90	+0.0	105.20	120.57	109.49	115.35	−0.1	5.53	132.94	104.15	120.90	108.90	115.45	146.72	122.53	133.05
World Ex. US (1828)	134.53	−1.2	106.49	122.04	110.83	116.86	−1.0	2.44	136.13	106.64	123.79	111.51	117.81	173.77	128.14	157.08
World Ex. UK (2064)	129.00	−0.8	102.11	117.02	106.27	120.14	−0.7	2.59	129.99	101.83	118.20	106.48	121.04	162.00	121.96	150.99
World Ex. So. Af. (2305)	131.67	−0.8	104.22	119.45	108.48	120.73	−0.7	2.89	132.71	103.97	120.69	108.71	121.53	161.84	126.26	151.25
World Ex. Japan (1911)	134.86	−0.5	106.75	122.34	111.11	123.16	−0.2	3.97	135.51	106.15	123.23	111.01	123.36	151.59	130.40	138.29
The World Index (2365)	131.96	−0.8	104.46	119.71	108.72	120.96	−0.6	2.69	133.00	104.19	120.94	108.95	121.75	162.05	125.57	151.28

U.S. and Canadian markets closed September 3.